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ABSTRACT

Designed for use by government or voluntary agencies providing residential group care for children, the manual presents guidelines for initial review and year end interpretation of agency operations along with three worksheets for agency expenses. Additional worksheets and guidelines are included for parent organization expenses and evaluation of donated goods and services; also included are five exhibits and an illustration of a cost analysis report. Appendixes cover the following: analysis of operations after completion of the cost report; time allocation methods, including an illustration of a time study kit and guidelines for selecting random time study days; the multiservice agency, including three worksheets; and definitions of institution functions and staff assignments. A glossary and index are supplied. (JD)

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ED034335

Analyzing Costs in a RESIDENTIAL GROUP CARE FACILITY for CHILDREN

✓ ***A Step-by-Step Manual***

Robert Elkin
Delroy L. Cornick

CHILD WELFARE LEAGUE OF AMERICA, INC.

CWLA

FOREWORD

Analyzing Costs in a Residential Group Care Facility for Children is designed to meet the need of over 1,200 government and 2,000 voluntary agencies for a workable, uniform method of measuring what it costs to run an institution for children.

Its publication comes at a time when public and private child welfare agencies over the country are actively recognizing their obligation—to themselves, their young charges, their contributors, and the taxpayers—for the adoption of innovative techniques that promote effective use of resources. In addition, the cost analysis methods outlined in the manual are compatible with the efforts of many national health and welfare organizations to implement uniform accounting methods among all voluntary agencies.

Field-tested in a broad spectrum of residential group care facilities for children, the manual is the first do-it-yourself system of cost analysis in the child welfare field. Its step-by-step instructions can be followed by an agency's own staff, or by a local accountant or research organization. The end result is a package of statistical and financial information that sparks new insights into the way a facility is being operated . . . promotes communication among institutions using the same system . . . and yields the information an agency needs to keep in step with the changing needs of its child population and the community it serves.

Most urgently for today, this manual's cost analysis system provides a government department and a voluntary agency with a sound base for entering into purchase of care agreements that consider both the short-term costs and long-range financial needs of the voluntary agency. In addition, as an increasing number of third party payment plans, including Medicaid and private insurances, begin to pay for medical, psychiatric, and other institution functions, an agency using this manual can identify—at a glance—the cost of such reimbursable functions.

The manual's cost analysis system establishes the costs of an agency's major functions—thereby implementing accountability to agency boards, national health and welfare groups, United Funds and Community Chests, as well as State and local regulatory agencies.

It is hoped that the publication of this manual will accelerate the national trend toward improved management of family- and child-welfare agencies and thus help insure the effective use of the nation's investment in our children.

JOSEPH H. REID
Executive Director
Child Welfare League of America, Inc.

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Analyzing Costs in a RESIDENTIAL GROUP CARE FACILITY for CHILDREN

A Step-by-Step Manual

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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Robert Elkin
Delroy L. Cornick

Developed in the

PROJECT ON CHILD WELFARE COSTS
SCHOOL OF GOVERNMENT AND PUBLIC ADMINISTRATION
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This cost analysis manual is intended for use by a government or voluntary agency providing around-the-clock residential treatment and care of children in a group care facility.

It is recommended that voluntary institutions for children purchase the *Agency Accounting Manual* (AM-27), also available from the Child Welfare League of America, Inc. The *AAM* is designed to implement the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.*

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INTRODUCTION

THIS IS A MANUAL of step-by-step instructions for analyzing costs in a children's residential group care facility. The system is planned for self-administration by the clerical and bookkeeping personnel of the agency, or by an accountant or research organization providing local consultation.

Throughout the manual, the term "residential group care facility" is synonymous with "institution service." The manual outlines a method for breaking down the costs of operating an institution-alone under voluntary or government auspices, or an institution service provided by a voluntary multi-service agency.

The system is feasible for any residential group care service where:

—The 24-hour facilities are owned or rented by the agency;

—The child-care staff is employed by the agency; and

—Supervision and professional services are supplied by the agency.

Each step of this cost analysis system has been field-tested for validity and conciseness in a broad range of facilities commonly known as: Institutions for dependent and neglected children; child-care institutions; and residential treatment centers. It is also applicable to other residential group care services such as group homes, group foster homes, maternity homes, and emergency shelters.

Organization of the Manual

The manual is organized in five major sections:

- ► Staff assignments are made and decisions are reached on handling problems;
- ► Expenses in the agency's books are analyzed and allocated;
- ► Parent organization expenses are applied to the institution service;
- ► Imputed costs—the difference between the commercial value and the actual expense to the agency of donations—are identified; and
- ► Based on the above information, a cost analysis report is prepared, consisting of 4 or 5 exhibits supported by a written year end interpretation.

The steps in each section may be compared with the steps required to knit a sweater. Thus, if each step is performed correctly, and within the same framework of instructions, the sleeves will fit into the armholes and the final product will suit the needs of the user.

Effort and Results

A simple and uncomplicated agency structure will require a simple cost analysis. The more complex the agency structure, the more complex the cost analysis—and the more skilled the agency's cost analysis staff has to be. This is especially true for the multi-service agency.

The cost analysis produces a special one-year study or year-to-year comparisons of what it actually costs to run the institution service . . . as well as the way these costs break down into the 15 functions representing significant components of residential group care.

In no way, however, does this system represent standards or value judgments as to the efficiency or effectiveness of the institution service. It represents only an objective measure of the costs of providing the service.

Simple Procedures

Because the manual is geared for self-administration, no special forms need be purchased. The only mechanical equipment required is an adding machine or calculator. Each worksheet and exhibit can be prepared on columnar paper. Various forms suggested for agencies running a time study can be photocopied or multilithed.

The manual uses accounting methods compatible with the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.*[1] A voluntary agency already on the *Standards* will need to make few—or no—changes in its books of accounts before it installs the cost analysis system.

The soundest way to implement the *Standards* is to follow the *Agency Accounting Manual*[2] designed for voluntary family and child welfare agencies.

A residential children's institution not on the *Standards* may retain its bookkeeping system, filling in any gaps in data collection revealed during an initial review of agency operations.

How to Use the Manual

Before installing the cost analysis, the administrator, key agency personnel, and the agency's bookkeeping or accounting staff should become familiar with the general flow of work that is illustrated on blue page VII.

Basically, the work is organized around 5 worksheets on which the analysis of accounting records and statistical information is made. The circles on the flow of work chart represent the sources from which information for the worksheets is obtained. The boxes represent the exhibits to which worksheet entries are transferred.

The arrowed lines depict the flow of work to and from the worksheets.

Page numbers on the flow chart refer to the first page of instructions for each worksheet, exhibit, the year end interpretation, and the cost analysis report.

All worksheets and exhibits, as well as the cost analysis report are illustrated on blue sheets. These illustrations, basic to understanding each set of instructions, are of a hypothetical institution called St. Ann's Child Care Center.

Guidelines to assembling information for the cost analysis are contained on yellow sheets and inserted in appropriate portions of the manual.

Indeed, much of the required information can be collected independently by agency staff; all major aspects of the cost analysis system are indexed for their ready reference.

Key sources of reference in the manual are the glossary, appendix D, and—for the multi-service agency—appendix C.

To avoid constant repetition of terms, the glossary serves as a centralized and constant source for the language and instructions in which this cost analysis system is framed.

Appendix A details how various aspects of the institution service can be analyzed if the agency wishes to use cost analysis for a special or continuing operational analysis.

Appendix B outlines three basic time allocation methods for agencies whose personnel work in more than one institution function, or in non-institution activities as well as in the institution service. One of the methods—the log method time study—is spelled out in detail and can be used by agencies who wish to take special steps to allocate staff time.

Appendix C contains the special instructions to be followed by a multi-service agency.

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[1] National Social Welfare Assembly and National Health Council, "Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations," [New York: The Assembly (currently known as National Assembly for Social Policy and Development), 1964].

[2] Child Welfare League of America, Inc.; Family Service Association of America; Travelers Aid Association of America; "Agency Accounting Manual," (New York: CWLA, 1969).

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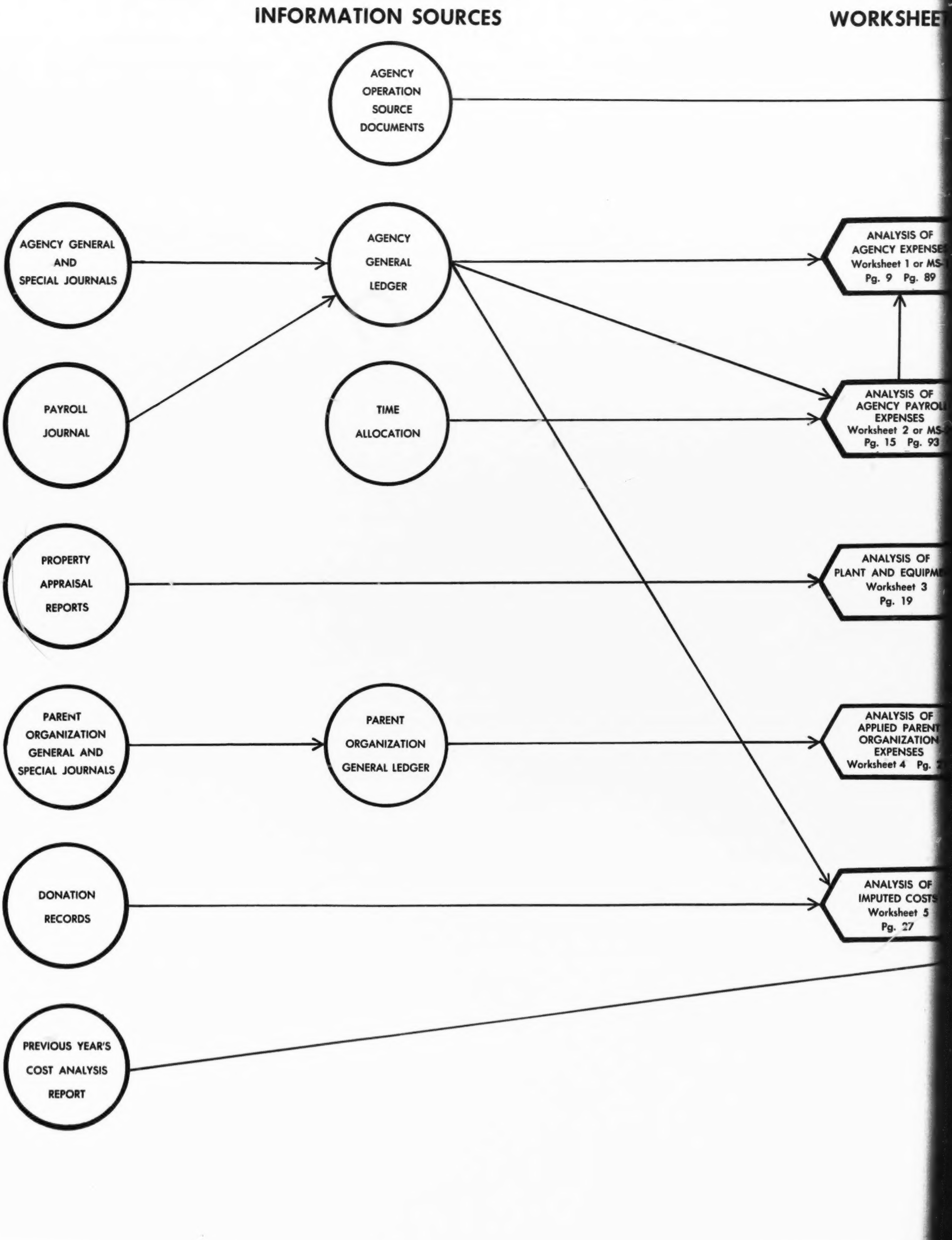

INFORMATION SOURCES
WORKSHEE
AGENCY OPERATION SOURCE DOCUMENTS
AGENCY GENERAL AND SPECIAL JOURNALS
AGENCY GENERAL LEDGER
PAYROLL JOURNAL
TIME ALLOCATION
PROPERTY APPRAISAL REPORTS
PARENT ORGANIZATION GENERAL AND SPECIAL JOURNALS
PARENT ORGANIZATION GENERAL LEDGER
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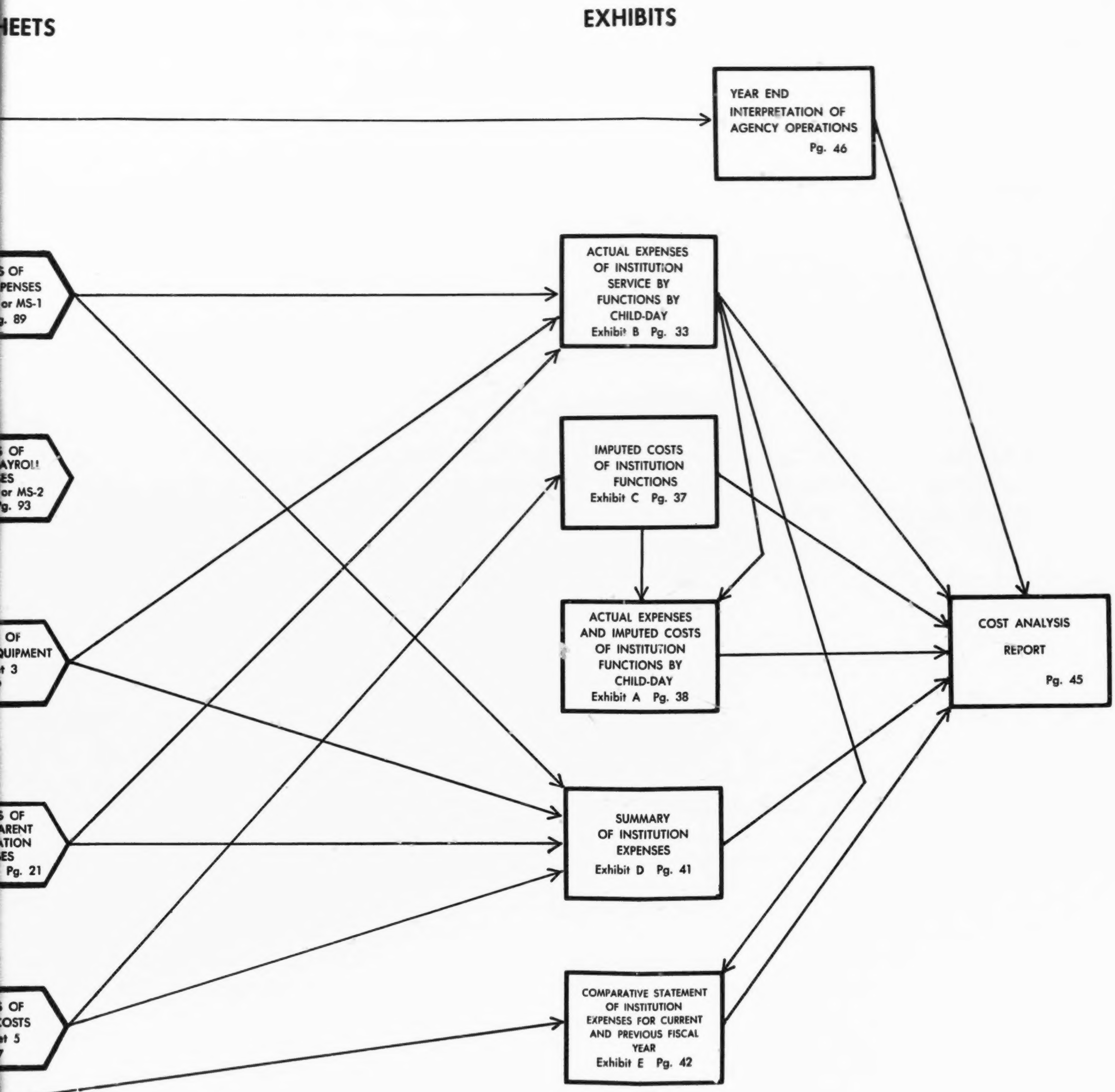
ANALYSIS OF APPLIED PARENT ORGANIZATION EXPENSES Worksheet 4 Pg.
ANALYSIS OF IMPUTED COSTS Worksheet 5 Pg. 27

F WORK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S OF ARENT ATION ES Pg. 21
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S OF COSTS t 5
COMPARATIVE STATEMENT OF INSTITUTION EXPENSES FOR CURRENT AND PREVIOUS FISCAL YEAR Exhibit E Pg. 42

Appendix D is the key to distributing expenses and allocating personnel costs for the institution service. It contains the coding system by which payroll and non-payroll expenses are distributed to the 15 functions.

Development of the System

This manual for analyzing costs in a residential group care facility for children was developed in a U. S. Children's Bureau financed project in The American University School of Government and Public Administration.

The need for the present work grew out of an earlier Project on Cost Analysis in Children's Institutions conducted under the joint auspices of the U. S. Children's Bureau and Child Welfare League of America, Inc. from 1963 to 1966.[2] The aim was to promote and evaluate a cost analysis system and manual that had been developed by Dr. Martin Wolins[3] and used centralized computer processing.

As the present self-administered cost analysis system was being developed, the Welfare Council of Metropolitan Chicago began to apply the system in 21 Chicago institutions.[4] Mr. Leroy H. Jones, director of the Chicago effort, advised on the development of this system, directed a cooperative effort to modify this system for automated data processing, and provided technical assistance during its application in 21 Chicago institutions.

The field study manual issued by The American University Project[5] was applied in eight Pittsburgh institutions under auspices of the Health and Welfare Association of Allegheny County. It was supervised by Mrs. Jane Bonn, who also prepared a report on the application.[6]

One institution each in Washington, D. C.; Springfield, Massachusetts; Baltimore, Maryland; and Hamden, Connecticut; also completed an application using the field study manual.

The results of all 33 field studies were analyzed in the Spring of 1968 by The American University project staff working with a specially designated Evaluation Panel. The panel was made up of three Children's Bureau representatives: Martin Gula, Seth Low, and Ray Myrick; two CWLA representatives: Samuel Berman, who served as Chairman, and Mrs. Lydia Hylton; and the following individual members: Alton M. Broten, John Gabriel, Arthur G. Hawkins, John Hayes, William McCurdy, Mrs. Assunta King, and Mirl W. Whitaker.

In acknowledging the role of those named above, we especially thank the personnel in the participating institutions and in the Chicago and Pittsburgh welfare councils.

We also express appreciation to Dr. Earl H. Delong, Dean of The American University School of Government and Public Administration; Joseph Reid, Executive Director, Child Welfare League of America, Inc.; and Dr. Charles Gershenson, Director, Division of Research, Children's Bureau; for their continuing support and professional leadership.

Special thanks are due to Mrs. Shirley Sirota Rosenberg, who edited the manual; Mr. Les Mitchell, who handled the graphics; and Mrs. Lenora Stotmeister, Project Secretary par excellence.

In acknowledging the participation of others, it should be clear that the authors are responsible for the content and form of the cost analysis system and the manual.

ROBERT ELKIN
DELROY L. CORNICK

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[2] Elkin, Robert, "Project Director's Report: Project on Cost Analysis in Children's Institutions, June 1963 to February 1966," (Washington, D. C.: The Project).

[3] Wolins, Martin: "A Manual For Cost Analysis In Institutions For Children. Part I: Cost Analysis—Its Purposes, Methods, and Limitations; Part II: Forms and Instructions"; (New York: Child Welfare League of America, 1962).

[4] Jones, Leroy H.: "New Tools for Administration of Children's Institutions; An Analysis of Time, Costs, and Operations," (Chicago: Welfare Council of Metropolitan Chicago, April 1968).

[5] Elkin, Robert, and Delroy L. Cornick, "Field Study Manual of Operational Analysis: Analyzing Time, Cost, and Operations in Children's Institutions," (Washington, D. C.: The American University Project on Child Welfare Costs, June 1967).

[6] Bonn, Jane: "Child Caring Institutions: A Functional Analysis of Costs; A Study in Eight Pittsburgh Area Institutions," (Pittsburgh: Health and Welfare Association of Allegheny County, June 1968).

I. ORGANIZING FOR THE COST ANALYSIS

To INSTALL this cost analysis system, or to conduct it for one year, definite steps are taken at the beginning of the agency's fiscal period. These first steps generally consist of: Determining the type of agency conducting the cost analysis; assigning staff responsibility; making an initial review of agency operations; and initiating recordkeeping.

Determine Type of Agency

The first thing the agency staff does is decide whether it is operating an institution-alone or a multi-service agency.

An institution-alone, whether it is a government or voluntary organization, offers no program service other than the institution service itself. In addition, for the purpose of this cost analysis, every government institution is considered an institution-alone; costs incurred for services rendered the institution by identical levels of government, are considered parent organization expenses.

In this cost analysis, a multi-service agency is always operated by a voluntary organization and offers other program services in addition to the institution service.

To start the cost analysis, the multi-service agency now turns to appendix C, starting on page 81.

The institution-alone continues with the following procedures.

Assign Staff Responsibility

The administrator names the staff responsible for each step of the cost analysis; he may reserve certain duties for himself. The typical cost analysis staff includes the agency's bookkeeper or accountant, the person asked to serve as time study supervisor (if a time study is to be conducted), and the individual usually responsible for collecting the agency's statistical information. If an outside accountant is used routinely to prepare financial statements or to supervise the agency's bookkeeper, that accountant should review and adjust the fiscal records when recordkeeping is being initiated.

Review Agency Operations

The cost analysis staff reviews the agency operations and describes them within the designated framework and in the language required for this cost analysis. Sources of information for this initial review are: Reports prepared for other purposes; budget information; public relations and fund raising materials; as well as administrative and general staff knowledge.

(Guidelines for an initial review of agency operations are included in the yellow sheets starting on page 5 at the end of this section.)

Based on this review, a staff document is prepared that identifies the next steps to be taken to provide the data needed for the cost analysis.

The guidelines for the "initial review of agency operations" also provide much of the format for the interpretation of the cost analysis exhibits to be compiled at the end of the year.

(An illustration of a year end interpretation is contained on the blue sheets starting on page 46. This interpretation can then serve as the basis for the agency review at the start of each subsequent fiscal year. Some agencies have found that preparing this kind of interpretation at the beginning of the initial year promotes communication among members of the cost analysis staff.)

Initiate Recordkeeping

The initial review of an institution-alone may indicate that some or all of the following steps are to be taken to insure that all the data needed for the cost analysis will be available at the end of the fiscal period.

Allocating Personnel Time

Establish some method of time allocation for personnel regularly spending time in more than one function or in non-institution activities. Include volunteers and parent organization personnel who spend a varying amount of time in the service of the institution. This may be quite simple, as in the case of a clerical person who consistently spends half-time assigned to social workers and the other half-time on general office work. More complicated cases may require that records be regularly kept or that a time study be initiated. (See Appendix B: Time Allocation Methods.)

Identifying Parent Organization Expenses

If goods and services are rendered by a parent organization, maintain some form of recordkeeping during the year so that a statement of applied parent organization expenses is available at year end.

For example, a county institution may receive maintenance services from a county department of public works, while its social work is provided by a county department of public welfare. After the agency executive has determined the type of service provided, the agency bookkeeper and the time study supervisor work with the personnel in the appropriate units of the parent organization (in this case, the county government) to establish some mutually acceptable form of recordkeeping.

(Guidelines for determining parent organization expenses are contained in the yellow page 25 at the end of section III.)

Recording Imputed Costs

Keep a record of donated goods and services—particularly of time spent and tasks performed by volunteers in the institution. This record need not include minor or intermittent donations. Also, establish a system for determining the commercial value of donations.

(Guidelines for reporting the imputed value of donations are contained in the yellow sheets starting on page 31 at the end of section IV.)

Recording Child Days of Care

Record actual child days of care, including admissions and discharges, throughout the fiscal year.

Establishing Replacement Value or Actual Cost of Plant and Equipment

Using insurance policies, appraisal reports, and other documents, estimate the replacement value of the plant and equipment. In some agencies however, this estimate will not have to be made if the agency has consistently recorded the actual cost of plant and equipment, and established a plan for their replacement. The agency then uses actual costs. Also estimate the physical space used for institution functions and non-institution activities, according to the proportion of square footage used by each. (See section II, Worksheet 3: Analysis of Plant and Equipment starting on page 18.)

Assessing and Adjusting Accounting Records

Examine the requirements of this cost analysis according to the following checklist; many agencies find it helpful to have their accountants make this examination:

☐ Are financial transactions recorded in a basic system of accounting books that conform with general accounting standards? These books usually include a general ledger, cash receipt and disbursement journal, and possibly a payroll journal.

☐ Do the agency's current methods demand minimal effort to identify institution expenses and revenue directly to the 15 functions or the non-institution activities as required by this cost analysis? If not, make the necessary adjustments in the agency's books of accounts, or establish special memorandum accounts for coding agency expenses and revenue. (See Appendix D: Definition of Institution Functions and Staff Assignments.)

(Agencies on the *Standards* should note that the term "functions" in the *Standards* refers to program services and supporting services. In this cost analysis system, however, the term "functions" refers to the component parts of one program service—in this case, of the institution service.)

☐ If the books are maintained on a cash basis, are records kept of accounts payable at the beginning and end of the year? The records will serve as the basis for adjusting reported expenses to the accrual basis required by this cost analysis.

☐ Are any expenses from special funds considered to be institution expenses?

☐ Has the payroll system been set up to include a procedure for:

. . . identifying each person, salaried or otherwise, by a function code used in the cost analysis? (See Appendix D: Definition of Institution Functions and Staff Assignments.)

. . . recording and coding parent organization payroll expenses applicable to the institution service? (See guidelines for determining parent organization expenses contained on the yellow page 25 at the end of section III.)

. . . providing information for coding and distributing salaries of persons who work in more than one function and/or non-institution activities? (See Appendix B: Time Allocation Methods.)

Guidelines for

INITIAL REVIEW
and
YEAR END INTERPRETATION
of
AGENCY OPERATIONS

THE ADMINISTRATOR, together with the persons named as the cost analysis staff, use the questions posed in these guidelines to review agency operations at the beginning of the fiscal year. The year end interpretation of the cost analysis exhibits is also based on these guidelines.

An illustration of a year end interpretation begins on the blue sheets on page 46; it may also serve as a model for the initial review of agency operations.

All institution operations are reviewed or interpreted within a time spectrum beginning with intake . . . through the period the child is in the institution . . . and ending with aftercare. It includes work with parents when performed by institution staff.

Type of Agency

What is the agency's fiscal period?

Is this a voluntary or government agency?

Is it non-sectarian or religious? Specify.

What is the geographical area served? Specify area of concentration.

Does it serve boys or girls, or both?

Program Services Provided

Is the institution service the only program service provided?

If not, what other program services are provided?

Affiliations

Is the institution part of a larger city, State, regional, or Federal organization? Specify.

Are any of the 15 institution functions conducted specifically and routinely for the agency by a parent organization? Specify briefly; more detail is called for at a later point in the initial review and year end interpretation.

Type of Children Served

For what reasons are children admitted into the institution?

Donated Goods and Services

Are regular donations of food, clothing, or other items obtained?

Are volunteers used? If so, indicate in which of the 15 functions they work.

Are any functions performed by members of a religious order who are unpaid, receive less than the commercial value of their services, or receive a stipend in lieu of a salary?

Are some operations performed routinely and specifically by any organization other than the parent organization?

Physical Factors

Is the institution licensed? By what organization? For what capacity?

How many days of child-care were provided in the fiscal year? What was the average daily attendance?

Where is the institution located?

When was the plant built and expanded?

What buildings and structures comprise the institution and any institution-owned camp?

What are the replacement values or actual costs of the following classes of plant and equipment:

—Institution buildings and structures?

—Camp buildings and structures?

—Furniture, fixtures, and equipment?

—Motor vehicles?

Non-Institution Activities

Does the agency conduct any non-institution activities (other than additional program services) such as:

—A school attended by children other than those living in the institution?

—A profit-oriented operation?

—Scholarships for children no longer in care?

Institution Functions

For each of the 15 institution functions, briefly describe the typical institution pattern according to:

—Who performs it?

—Where does it take place (if in more than one facility)?

—Who pays for it? Agency, parent organization, donated?

—Do any members of the staff regularly work in more than one of the 15 functions or in both institution functions and non-institution activities?

01. Management and General How many staff work as administrator, assistant administrators, or perform general office operations such as bookkeeping, reception or clerical services?

(In a multi-service agency, this information is reported for the entire agency.)

02. Fund Raising How are funds raised for the institution? Is the institution a government, tax-supported agency? Does the institution participate in a United Fund or some other federated fund raising effort? Is there full-time or part-time staff assigned to fund raising? Do the administrator and other staff members spend time directed toward raising funds for the organization? Are there direct costs for literature prepared for fund raising?

(In a multi-service agency, this information is reported for the entire agency.)

03. Plant Maintenance How many staff do maintenance work? Is contract maintenance work performed on buildings or grounds? Are any major repairs or replacements planned during the fiscal year? Are any major plant maintenance services provided by other organizations? If housing is provided for any staff member or his dependents, describe briefly.

(In a multi-service agency, this information is reported for the entire agency.)

04. Meals Who purchases food, prepares menus, and does the cooking? What is the typical pattern of food preparation and service? Where is it served? What is the pattern of providing lunches for children who go to school off-grounds? Are surplus commodities used? If meals are provided for any staff member or his dependents, describe the general pattern.

05. Clothing and Personal Needs Who is responsible for purchasing and maintaining clothes and related supplies? Are laundry and dry cleaning sent off-grounds or performed at the institution? What expenses are there for personal grooming—haircuts, beauty parlor, shoe repair? How are children's allowances handled? Are there miscellaneous expenses for school supplies for children educated off-grounds?

06. Residential Care Staff How many staff members work full-time or part-time as houseparents? Are they married couples or single persons? Do dependents live with staff? Are fringe benefits provided in kind? Who supervises houseparents?

07. Medical—Dental How is medical care—including physicians, dentists, and nurses—provided for the children? Is an infirmary or medical service maintained in the institution? Is a retainer paid or is there an arrangement for fee payment? Are children taken off-grounds to clinics where there is no charge? Is any staff regularly assigned to transport children to these clinics? Who supervises or coordinates this function?

08. General Education What is the typical pattern of general education provided for the children that is parallel to the general education in the community public or parochial schools? Is general education provided in the institution or do the children go off-grounds to school? Is tuition paid for off-grounds education? (Miscellaneous expenses for off-grounds general education are allocated to 05. Clothing and Personal Needs.)

09. Recreation Is there any special staff to direct recreation activities at which attendance is voluntary? Do they work full-time? Part-time? Is there a camp operated for children in the institution? What is the typical pattern of miscellaneous costs to be charged to such recreation—for example, camp fees and club dues? Identify other activities to be charged to recreation such as music lessons, woodworking, or art classes.

10. Religion What is the regular plan for the spiritual welfare of the children? Are there any costs, including transportation, for church or religious school attendance? Is there a chaplain's salary or fees? Are there costs attributable to a chapel?

11. Psychiatry What arrangements are made for psychiatric time? Does a psychiatrist provide services on a regular basis? What services are provided? How many hours a week? Are the children taken off-grounds to community clinics? Is there a charge? Is there a cost for transportation?

12. Psychology Does a psychologist provide services on a regular basis or as needed? What services does he provide? How many hours a week? Are the children taken off-grounds to community clinics? Is there a charge? Is there a cost for transportation?

13. Social Work How many social workers and social work supervisors work in the institution? Are there full-time and part-time workers? Is clerical staff assigned full-time or part-time for typing case records and performing other clerical work for the social workers?

14. Special Education Is there a full-time or part-time program of special education provided at the institution? (Special education is provided a child whose difficulties create learning blocks. These children are generally unable to attend the community public or parochial schools.) Is there a regular program of special or remedial instruction provided on a supplementary basis to help children attending community schools stay in those schools? How many staff members are regularly assigned to special education? Are any paid by a local board of education or other outside organization?

15. Special Institution Functions Does the institution have any special, unique, or innovative activities that are directed to the children's needs but do not fit into any of the other functions and to which a staff is specifically assigned? Is that staff full-time or part-time? Does the institution service include any program-oriented operation primarily geared to meeting children's needs, even though the operation may incidentally provide income? Is any research on the institution service conducted by a specially designated research staff, whether full-time or part-time?

II. AGENCY EXPENSES

AT THE END of the fiscal period, expenses that appear in the agency's books are ready to be analyzed and allocated by the bookkeeper or accountant on three worksheets:

Worksheet 1: Analysis of Agency Expenses

Worksheet 2: Analysis of Agency Payroll Expenses

Worksheet 3: Analysis of Plant and Equipment

Basically, this process consists of four steps:

- All expenses in the agency's books are listed;
- Expenses applicable to the institution operations for the fiscal period are added;
- Expenses applicable to non-institution activities for the fiscal period are subtracted; and
- Institution expenses are allocated among the 15 functions.

The multi-service agency uses appendix C instructions for worksheet MS-1 (starting on page 89) and worksheet MS-2 (starting on page 93). It then returns to the instructions beginning with worksheet 3 on page 18; at that point, all instructions are applicable to both the institution-alone and the multi-service agency.

Each worksheet can be prepared on columnar paper, but only those items applicable to the particular worksheet and agency are given column headings.

Worksheet 1: Analysis of Agency Expenses

(Institution-Alone)

This is the basic worksheet used by an institution-alone for its cost analysis.

An illustration of a completed worksheet 1 appears on the blue page 13; it is basic to understanding the instructions.

Column 1—Account Title

Enter a line-by-line listing of the agency's object expense accounts, indicating the account title from the agency's books.

Column 2—Amount

Enter the dollar amounts from the agency's books. These expenses, normally representing all expenses from general funds, may be rounded to the nearest dollar; do not enter cents. (Drop to the next lowest dollar for 49 cents and under; raise to the next highest dollar for 50 cents and over.) Except for rounding error, these totals are to agree with the agency's trial balance.

Column 3—Accrual Adjustments

(If the amounts in column 2 are accrued amounts, this step is omitted.)

Enter as additions, the total of accounts payable at the end of the fiscal year that are applicable to each expense account. Enter as deductions, any amounts that represent payments during the fiscal year for invoices applicable to the previous fiscal period.

Column 4—Adjusted Amount

(If the amounts in column 2 are accrued

amounts, this step is omitted, and column 2 figures are used whenever column 4 figures are needed.)

Add ending accounts payable, and deduct beginning accounts payable from the amounts in column 2. The net total represents the agency's adjusted accrued expenses for the fiscal period. The grand total of column 4 also is cross balanced with the totals of column 2 and column 3.

Column 5—Payroll Expenses

Enter in column 5 all amounts listed in column 4 as having been spent for salaries, wages, and fringe benefits. Do not enter fees or retainers; they are considered payments to independent contractors and do not carry fringe benefits. Check carefully for—and enter—any payroll expenses that reflect staff salaries and wages, but were listed as non-payroll expenses under "sundry labor" or "miscellaneous."

Column 6—Institution Functions

Distribute to the 15 institution functions all the non-payroll expenses (including fees and contract service payments), listed as institution expenses in column 4. This step is simplified if, at the beginning of the fiscal period, current accounting methods were adjusted or memorandum accounts established to code expenses according to the 15 functions; this is especially true if any of the expenses represents charges against more than one function. In general, if the expense divided among functions is relatively small—less than one percent of the total expenses—and would require extensive analysis for breakdown, simply enter the total expense in the most appropriate function column. If the amount is relatively large, the bookkeeper uses invoices and records to estimate the appropriate distribution among the functions.

Column 7—Farm Operation (or other Non-Institution Expenses)

Enter any non-institution expenses from general funds listed in column 4. Examples of these expenses, which can be given additional column space, include:

—Expenses of profit-oriented operations, such as a farm (illustrated on worksheet);

—Expenses of children away from the institution—for example, in a nursing home, college, or foster home;

—Expenses of unique operations, such as a Mother House in a Catholic agency. An adjusting entry may later be required on worksheet 1 for this kind of operation if its expenses are shared with some institution function.

Total Expenses from General Funds

Before proceeding to the adjustments, the bookkeeper determines that the schedule cross foots and is in balance.

Adjustments

Adjusting entries are made for: (a) Expenses charged to the institution in the agency records that are NOT applicable to this cost analysis; and (b) Expenses not charged to the institution in the agency records that ARE applicable to the cost analysis. Most agencies will have to make at least the first two of the following adjustments:

#1 (Illustrated on worksheet)—Add to column 2 and column 4, any expenses for institution purposes from records of special funds not already entered under general funds. Distribute these expenses to the appropriate 15 functions in column 6.

#2 (Illustrated on worksheet)—After worksheet 2 is completed, distribute the total payroll expenses to the appropriate institution functions in column 6, and non-institution expenses to column 7. Deduct the total from column 5.

#3 (Illustrated on worksheet)—Include in the appropriate function in column 6 any expenses applicable to the institution service that are currently reflected in the non-institution expenses of column 7. For example, if the agency uses products from its own profit-oriented farm, estimate the commercial value of the produce . . . deduct this amount from the total cost of the farm operation (non-institution activity in column 7) . . . and add this amount to the cost of food in the Meals function in column 6.

(Not illustrated.) Similarly, if the expenses of a program-oriented farm were included as a Special Institution function in column 6, deduct the estimated value of the produce used by the agency from the Special Institution function and add it to the Meals function in that column.

(Not illustrated.) There may be some expenses charged to an institution function that should be charged to a non-institution activity. For example, if the expense of providing special schooling for some children in the community was charged to either General Education or Special Education, deduct the appropriate amount from the appropriate function in column 6, as well as from total expenses from general funds in columns 2 and 4.

#4 (Illustrated on worksheet.) Deduct expenses charged to the institution service, but not recognized in this cost analysis. This is accomplished by deducting the amount from column 2 and column 4, and from the appropriate function in column 6. For example, the cost of any item of major plant and equipment repairs and replacements in excess of the dollar limitation recognized by this cost analysis, is deducted from institution expenses in column 2, column 4, and from Plant Maintenance in column 6. (See also "Plant and equipment" for the way this cost analysis allows a yearly allowance for use of items incurring such major expenses. Agencies on the *Standards* should note that the *Standards* does not set a specific dollar limitation on major plant and equipment expenses.)

Depreciation of plant and equipment that has been charged as an institution expense, is handled the same way. This cost analysis does not recognize depreciation.

(Not illustrated.) If any of the agency expenses include charges from the parent organization for payroll and non-payroll expenses, these are subtracted from the appropriate functions in column 6; the totals are also subtracted from column 2 and column 4. Later, these amounts will be added to the appropriate functions on worksheet 4.

Completing the Worksheet

Worksheet 1 is completed when the grand total of expenses from general funds and adjustments (including special funds) cross foot and balance with the totals of the columns to which these expenses have been distributed.

The final line on worksheet 1—Total Agency Expenses—now represents all institution expenses derived from agency books of accounts. The information on this worksheet will be posted on exhibits B and D.

St. Ann's Child Care Center
Analysis of Agency Expenses
Year ended December 31, 1967

	①	②	③		④	⑤		←	
			Accrual Adjustments		Adjusted	Payroll			
	Account Title	Amount	Add	Deduct	Amount	Expenses		Management and General	Fund Raising
	Salaries	114500			114500	114500			
	Employee health and retirement benefits	7000			7000	7000			
	Payroll taxes	4450			4450	4450			
	Professional fees and contract service payments:								
	Audit and legal	1000		1000	–				
	Testing and evaluation fees	1000			1000				
	Medical and dental service payments	1000			1000				
	Psychiatrists and psychologists	2000			2000				
	Supplies:								
	Office	3500	2000	1000	4500			3500	1000
	Food	18000	2000	1000	19000				
	Building, ground and household	4500			4500				
	Other - Farm	10000			10000				
	Other - Greenhouse and Nursery	14000	2000	1000	15000				
	Telephone and telegraph	1000			1000			600	
	Postage and shipping	500			500			400	
	Occupancy:								
	Utilities	6250	2500	1250	7500				
	Property insurance	1000	1000		2000			1000	
	Outside printing, artwork, etc.	1000	1000		2000			1000	1000
	Local transportation	3500			3500			500	
	Conferences, conventions, meetings, and major trips	2000			2000			2000	
	Specific assistance to individuals:								
	Clothing and laundry	4500	1000		5500				
	Equipment and other fixed assets:								
	Repairs and replacements	7800			7800				
	Recreation equipment	2500			2500				
	Total Expenses from General Funds	211000	11500	5250	217250	125950		9000	2000
	Adjustments:				217250	125950			
#1	Special funds	1000			1000				
2	Payroll distribution (WORKSHEET 2)					(125950)		35200	14300
3	Farm Produce Used								
4	Major plant and equipment repairs and replacements not recognized in cost analysis	(4000)			(4000)				
	Total Agency Expenses	208000	11500	5250	214250 214250	–		44200	16300

Editor's Note: This worksheet has

WORKSHEET 1

			⑥							⑦ (F)
Fund ising	Plant Maintenance	Meals	Clothing-Personal Needs	Residential Care Staff	Medical-Dental	Recreation	Psychiatry	Psychology	Social Work	Farm Operation (or other non-institution expenses)
									1000	
					1000					
							1000	1000		
1000										
		19000								
	4500									
										10000
										15000
									400	
									100	
	7500									
	1000									
1000										
							500	500	2000	
			5500							
	7800									
						2500				
2000	20800	19000	5500	-	1000	2500	1500	1500	3500	25000
		66,300							→	25000
		1000								
300	4400	12100		39270		6820			10560	3300
		5000								(5000)
	(4000)									
300	21200	37100	5500	39270	1000	9320	1500	1500	14060	23300
		190,950							→	23300

has been reduced to fit manual.

Worksheet 2: Analysis of Agency Payroll Expenses

(Institution-Alone)

On this worksheet, the bookkeeper distributes the total payroll expenses shown in column 5 of worksheet 1 to the appropriate institution functions and non-institution activities. (See Appendix D: Definition of Institution Functions and Staff Assignments, for an explanation and listing of typical expense items and staff positions distributed to the appropriate institution functions.)

An illustration of a completed worksheet 2 appears on the blue page 17; it is basic to understanding the instructions.

The personnel to be listed from the agency's payroll records are those employed during the 12-month fiscal period of the cost analysis, including those employed for only part of the year. (The payroll records should have been adjusted when recordkeeping was initiated to include the function code for each person.)

This listing of personnel does NOT include any persons paid directly by the parent organization; their expenses will be entered on worksheet 4.

This listing of personnel does NOT include any fee personnel; these expenses were shown as direct payroll charges to the appropriate functions on worksheet 1.

Column 1—Name

Enter the name of the individual. If several individuals share the same function code number, they may be grouped together and the word "group" or job description entered, along with the number of individuals in the group. Names of persons who are regularly assigned to more than one function, or to the institution service and a non-institution activity, may be entered on a separate line for each job.

Column 2—Staff Title

Enter the personnel staff title as it appears on the payroll record.

Column 3—Function Code

Enter the appropriate code number for each function. If a person's salary is to be distributed according to a time study or other time allocation method, enter "T.S." or appropriate abbreviation instead of a function code number. Enter two code numbers if the person's salary is to be distributed to two functions according to regular assignment.

Column 4—Total Gross Salary in Fiscal Year

Enter the total gross salaries and wages for each individual and for each group. The subtotal of gross salaries and wages must balance to the subtotal of gross salaries in column 5 of worksheet 1.

Complete column 4 by entering, as a lump sum, the agency's fringe benefits from column 5 of worksheet 1. The total gross salaries, wages, and fringe benefits, must equal the total payroll expenses reported in column 5 of worksheet 1.

Column 5—Distribution of Salaries to Institution Functions

The gross salary of each individual or group is distributed to the appropriate institution functions. The bases generally used in distributing salaries are:

—Direct charge. Most salaries are charged directly to the functions according to the function code number assigned in column 3.

—Time allocation methods. Salaries of personnel regularly assigned to more than one function and/or non-institution activity may be distributed on the basis of a time study or other time records such as attendance sheets, work assignments, and duty rosters. (See Appendix B: Time Allocation Methods.) Decisions on appropriate allocation methods must be made at the beginning of the year or at the time a person is employed. At the end of the year, the bookkeeper secures from the time study supervisor the necessary information for determining allocation of payroll expenses.

(Allocation of time for maintenance staff is usually made according to the proportionate square footage of space used by each institution function and non-institution activity.)

Column 6—Distribution of Salaries to Non-Institution Activities

This distribution is handled by the same methods used in column 5. The illustration shows the distribution to a non-institution activity (farm) of: Part of the salary of the administrator; and all of the salary of the farmer who works at the profit-oriented farm.

The totals of column 5 and column 6 must cross foot and balance to column 4, total gross salaries.

Allocation of Fringe Benefits

Enter in column 4 the total fringe benefits from column 5 of worksheet 1.

Total fringe benefits are allocated proportionately to each institution function or non-institution activity. One way to determine the appropriate distribution of fringe benefits is to: (a) Determine the percent of total fringe benefits to total gross salaries and wages entered in column 4; and (b) Multiply the percent by total gross salaries and wages in each institution function or non-institution activity. The distribution of fringe benefits in column 5 and column 6 must balance to total fringe benefits.

Completing the Worksheet

Add gross salaries, wages, and fringe benefits. Cross foot and balance.

The total gross salaries, wages, and fringe benefits is then entered as an adjusting entry on worksheet 1. There it will serve as the basis for distributing payroll expenses to the institution functions and non-institution activities during the adjustment process.

St. Anns Child Care Center
Analysis of Agency Payroll Expenses
Year ended December 31, 1967

WORKSHEET 2

①	②	③	④	←			⑤				→	⑥ (F)
Name	Title	Code	Gross Salary	Management and General 01.	Fund Raising 02.	Plant Maintenance 03.		Meals 04.	Residential Care Staff 06.	Recreation 09.	Social Work 13.	Farm Operation (or other non-institution expenses)
Sister Mary Anne	Admin.	TS	4800	3840								960
Sister Agnes	Asst. Admin	01	4800	4800								
Elizabeth Green	Bookkeeper	01	6800	6800								
Clerk Typists (3)	Clk Typist	01	15600	15600								
Helen Smith	" "	01-02	2880	960	1920							
Joseph Henry	Fund Raising	02	11080		11080							
Maids (2)	Maids	03	4000			4000						
Cooks (4)	Cooks	04	11000					11000				
Robert Frazer	House Parent	06-09	4000						2000	2000		
Group Sisters (5)	" "	06	24000						24000			
House Parents (3)	" "	06	9700						9700			
Group Workers (1½)	Recreation	09	4200							4200		
Sister Mary Frances	Supr. Social Worker	13	4800								4800	
Betty Jones	Clerk Typist	13	4800								4800	
Mike McGurin	Farmer	F	2040									2040
Total Gross Salaries			114500	32000	13000	4000		11000	35700	6200	9600	3000
Fringe Benefits [a]			11450	3200	1300	400		1100	3570	620	960	300
Total Gross Salaries and Fringe Benefits			125950	35200	14300	4400		12100	39270	6820	10560	3300
			125950	←			122,650				→	3300

[a] Fringe Benefits distributed as a percentage of Gross Salaries:

$$\frac{\text{Fringe Benefits}}{\text{Total Gross Salaries}} \quad \frac{11450}{114500} = 10\%$$

Editor's Note: This worksheet has been reduced to fit manual.

St. Ann's Child Care Center
Analysis of Plant and Equipment
Year ended December 31, 1967

WORKSHEET 3

① Inventory of Plant and Equipment	② Description of Major Use	③ Replacement Value or Actual Cost	④ Percentage Use Farm (F)	④ Percentage Use Institution	⑤ Replacement Value Farm (F)	⑤ Replacement Value Institution	⑥ Rate	⑦ Yearly Allowance
		$	%	%	$	$	%	$
1. Buildings and Structures								
Cottage A	Child Residence	75000	—	100	—	75000	—	—
" B	" "	75000	—	100	—	75000	—	—
" C	" "	75000	—	100	—	75000	—	—
" D	" "	75000	—	100	—	75000	—	—
" E	" "	75000	—	100	—	75000	—	—
Residence	House Parents	25000	—	100	—	25000	—	—
Multi-purpose building 1a	Inst. + Farm	100000	50	50	50000	50000	—	—
General office " 1b	" "	100000	5	95	5000	95000		
Sub-total		600000			55000	545000	2	10900
2. Camp Buildings and Structures		—	—	—	—	—	3	—
3. Furniture, Fixtures and Equipment		35000	26.3	73.7	9200	25800	10	2580
4. Autos, Trucks and Motor Vehicles		5000	40	60	2000	3000	20	600
Total		640000			66200	573800		14080 ✓

1a 2 Story building
1st floor for kitchen and recreation
2nd floor - farm storage
Distribution:
50% Institution
50% Farm

1b Based upon total payroll distribution from Worksheet 2 or MS-2:

	Amount	%	Round to
Institution	122650	97	95
Farm	3300	3	5
Total Payroll	125950	100	100

Editor's Note: This worksheet has been reduced to fit manual.

Worksheet 3: Analysis of Plant and Equipment

(Multi-Service Agency or Institution-Alone)

The bookkeeper computes the agency's yearly allowance for use of major plant and equipment on this worksheet. (See "Plant and equipment" in glossary.)

At this point, the multi-service agency and the institution-alone follow the same instructions.

An illustration of a completed worksheet 3 appears on the blue page 18.

Yearly allowance is determined by applying a fixed percent to the replacement value or actual cost of the following classes of assets:

—Institution buildings and structures
—Camp buildings and structures
—Furniture, fixtures, and equipment
—Motor vehicles

Column 1—Inventory of Plant and Equipment

Under the heading, "buildings and structures," the bookkeeper prepares a list of such agency buildings and major structures as cottages, gymnasium, power plants, and multi-purpose buildings.

Each of the other three classes may be shown as totals: Total camp buildings and structures; total furniture, fixtures, and equipment; and total motor vehicles.

Column 2—Description of Major Use

Briefly record the major purpose of plant or equipment, especially whether used fully or partially for non-institution activities.

Column 3—Establishing Replacement Value or Actual Cost of Plant and Equipment

The bookkeeper estimates the replacement value, at the end of the fiscal year, for each class of plant and equipment. Sources of data on which to determine replacement values are insurance policies, appraisals, reports, etc.

If the agency has a system for recording actual costs of plant and equipment, rather than recording at nominal values such as $1.00 (particularly in the case of recent acquisitions), enter these recorded actual costs rather than the estimated replacement values.

Column 4—Percent Use for Institution versus Non-Institution Purposes

Three procedures are used in column 4 to distribute percent of space:

—If plant or equipment is used entirely for the institution, enter 100%.

—If a portion of the plant or equipment is used for non-institution activities, the percent applicable to non-institution activities is determined. This is based on an estimate of the usage of floor space. For example, in a 2-story building with space for the institution service on the first floor, and space for farm storage on the second floor, the percent is estimated as 50% institution and 50% non-institution. [This method is illustrated in footnote (a) to worksheet 3.] An agency on the *Standards* will already have determined the total square footage it occupies, and the percent used by its different program or supporting services.

—If plant or equipment is used jointly for the institution services and such non-institution activities as a farm, the distribution requires some calculation to arrive at an estimate. One method would be to use the percent distribution of institution versus non-institution payroll expenses reported on worksheet 2. [This method is illustrated in footnote (b) to worksheet 3, showing the basis for a 95%-5% allocation of a general office building.]

Column 5—Distribution of Replacement Value or Actual Cost

Multiply the amounts in column 3 by the percents of institution use in column 4. Enter the results under "institution" in column 5.

Multiply the amounts in column 3 by the percents of non-institution use in column 4. Enter the results under "non-institution" in column 5.

Total column 5; cross foot and balance with column 3.

Column 6—Allowance Rates

If the agency has not developed its own plan for replacing plant and equipment, the following rates (considered a reasonable basis) are entered for each of the four classes of assets:

	Annual Percent
Institution buildings and structures	2%
Camp buildings and structures	3%
Furniture, fixtures, and equipment	10%
Motor vehicles	20%

If the agency has developed its own plan for replacement or depreciation, it is recommended that its own rates be entered in lieu of the rates suggested above. In any case, the system applied by the agency must be used consistently from year to year.

Agencies that have included depreciation or a replacement provision as an expense on worksheet 1 or worksheet MS-1, must deduct those amounts in an adjusting entry on one of the worksheets.

Column 7—Yearly Allowance for Institution Use

To determine the yearly allowance of plant and equipment applicable to the institution service, multiply the total of ONLY the institution amounts in column 5, by the rates in column 6. Enter the results in column 7. The total of these yearly allowances will be entered on the final cost analysis exhibits.

The multi-service agency can also use this worksheet to determine the yearly allowance of plant and equipment applicable to its other program services.

Completing the Worksheet

All entries have now been made. The information on this worksheet will be used to post entries on exhibit B and D.

III. PARENT ORGANIZATION

In this step, the bookkeeper uses worksheet 4 to enter the parent organization expenses that are to be applied to the expenses of the institution functions. This section is omitted if there are no applicable parent organization expenses.

An illustration of a completed worksheet 4 appears on the blue page 23; it is basic to understanding the instructions.

(Guidelines for determining parent organization expenses are contained in the yellow page 25 at the end of this section.)

The bookkeeper uses the following information collected throughout the year by the agency and the parent organization:

- —Parent organization services to the institution, identified on a function-by-function basis;
- —Some method of allocating time of parent organization personnel who work in the institution part of their time.

In some agencies, the services provided by a parent organization may be paid for by the agency and reflected on the agency's books. These expenses are to be deducted from the agency expenses in an adjusting entry on worksheet 1 or worksheet MS-1, and reported on worksheet 4.

Worksheet 4: Analysis of Applied Parent Organization Expenses

(Multi-Service Agency or Institution-Alone)

Column 1—Name or Account Title

Enter, individually or as a group, all parent organization personnel whose time and related payroll costs are appropriately charged to the institution service. Also, non-payroll expenses may be entered in this column.

Column 2—Staff Title

Enter the staff title for the individual or for the group.

Column 3—Code Number

Enter the function code number for payroll and non-payroll expenses.

Column 4—Gross Salary

Enter the gross salary paid by the parent organization to each individual or group in this column.

Column 5—Percent Institution Time

Enter the percent of personnel time devoted to the institution in this column. As a general rule, this information is supplied by the parent organization.

Column 6—Amount of Applied Parent Organization Expenses

Multiply each individual gross salary paid in column 4 by the percent entered in column 5. Enter each result in column 6.

(Not illustrated.) Enter only the amount for each non-payroll item charged to the institution function.

Determine the amount of personnel-associated costs to be charged. In this illustration, the amount of costs associated with personnel is determined by multiplying the total gross salary by 30%. The result is added to the total personnel cost in recognition of: Fringe benefits; administrative supervision; proportionate occupancy charges; clerical and office costs incurred by parent organization employees while rendering institution services.

(Not illustrated.) If the parent organization has its own cost system and an alternative method for determining the proportionate share of associated costs, the amounts of personnel-associated costs entered in this column may be the amount that the parent organization has determined to be appropriate.

Column 7—Function Distribution of Parent Organization Costs

Using the function code in column 3 as a guide, distribute payroll and any non-payroll items listed in column 6 to the appropriate institution functions.

Completing the Worksheet

Cross foot the totals of the institution functions in column 7, and balance to the total of column 6. The information on this worksheet will be used to post entries on exhibits B and D.

St. Ann's Child Care Center
Analysis of Applied Parent Organization Expenses (Catholic Charities)
Year ended December 31, 1967

WORKSHEET 4

①	②	③	④	⑤	⑥	⑦	
Details	Title	Code	Gross Salary	% Institution Time	Amount Applied	Meals 04.	Social Work 13.
Evelyn Reed	Dietician	04	7500	20	1500	1500	
M. Gilles	Soc. Wkr	13	8000	50	4000		4000
J. Grey	" "	13	8000	20	1600		1600
F. Wise	" "	13	8000	20	1600		1600
Salaries					8700	1500	7200
Associated Costs (30%)					2610	450	2160
Total Applied PO Expenses					11310	1950	9360

Editor's Note: This worksheet has been reduced to fit manual.

Guidelines for DETERMINING PARENT ORGANIZATION EXPENSES

Defining Relationship A parent organization-agency relationship exists when the agency is affiliated with a parent organization through a continuous official relationship such as a formal, legal, corporate, or organization entity. For example, the institution may be part of the structure and services of a county or city government. Another example of a parent organization is a federation of organizations such as a Catholic Charities, Lutheran Social Service, or Jewish Federation.

Not Included The parent organization-agency relationship does not include affiliation with organizations that set professional standards, United Funds, or welfare councils where the relationship is characterized only by membership or dues payment. Neither does it include a relationship where the children in the institution receive services available to all children in the community, such as general education or scouting.

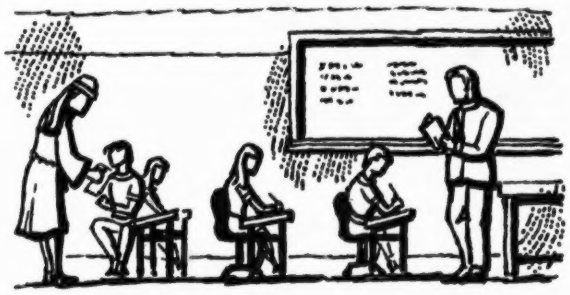
Expense Criteria Costs of certain institution activities and operations may be borne wholly or in part by the parent organization. For example, a government institution may receive casework services from a department of public welfare, bookkeeping services from a department of finance, medical services from a department of health, and personnel services from a department of civil service.

The criteria for including parent organization expenses as institution expenses are:

- —The activity is a regularly defined institution function; generally included are those activities the institution would normally provide if it operated independently of the parent organization;
- —The activity is provided specifically for the institution and is provided on a regular and routine basis;
- —The activity is provided directly by an identical level of government (if the agency is a government institution);
- —The cost of providing the activity is an actual expense and is reflected in the books of accounts of the parent organization.

Allocating Expenses Certain parent organization expenses, such as the insurance premiums under a multiple location policy, are readily identifiable. Indeed, many parent organizations have a system for distributing costs to the institution. Sometimes, however, parent organization expenses may have to be determined by formula or other estimates. For example, proportionate costs of a central purchasing department can be based on the ratio of institution purchase acquisitions to the total number of requisitions processed by that department.

The same definitions of functions, and the same dollar limitation on expenses for plant and equipment apply to parent organization expenses as apply to agency expenses.



IV. DONATED GOODS AND SERVICES

ON WORKSHEET 5, the bookkeeper lists all donated goods and services and determines the imputed values to be included as institution costs. This is skipped if there are no applicable donations.

An illustration of a completed worksheet 5 appears on the blue page 29; it is basic to understanding the instructions.

Guidelines to aid in determining which goods and services may be included as donations, and in determining their commercial values, are included in the yellow sheets beginning on page 31 at the end of this section.

Agency records of donated goods and services serve as the base from which worksheet 5 is completed. It is divided into three basic parts:

Part A: Religious personnel—An imputed value is determined for each religious staff member whose rate of pay is typically stipend and, therefore, substantially below the commercial rate for the job, or who receives no pay.

Part B: Other donated goods and services—The memorandum records of other donations, not including those from government sources, are summarized.

Part C: Donated goods and services from government sources—In a voluntary agency, the memorandum records of donations from government sources are summarized.

Worksheet 5: Analysis of Imputed Costs

(Multi-Service Agency or Institution-Alone)

PART A: Imputed salaries of any agency religious personnel are determined from payroll records and information on salaries paid for comparable positions in the community.

Column 1—Name or Description

Enter the names of all religious personnel for whom an imputation is being made. A number of individuals imputed in the same level may be listed as a "group."

Column 2—Staff Title

Enter the appropriate staff title.

Column 3—Function Code

Enter the appropriate function code.

Column 4—Commercial Rate

Enter the dollar amount established as the full-time or part-time commercial rate for the work performed. In the illustration, each of the Sisters worked a full 12 months; thus, annual rates have been entered for them. These amounts are to be the adjusted basis for the imputation after reducing for the value of room and board, etc. (See the guidelines starting on yellow page 31 at end of this section.)

Column 5—Percent or Hours Institution Time

Enter the percent of time given to the institution service—for example, 50% for a person working only 6 months. Or, enter number of hours if the commercial rate in column 4 is given in hours.

Column 6—Total Commercial Value

For each item, multiply the percent of time in column 5 by the commercial rate or hours per year in column 4. Enter each result in column 6; this is the commercial value of the task performed for the institution.

Column 7—Gross Salaries Paid (Institution Only)

Enter the actual gross salary paid any religious personnel as reflected in worksheet 2 or worksheet MS-2 for each individual or group for the institution only. (Subtract any salary distributed to non-institution activities.) If no salaries were paid, enter a dash.

Column 8—Imputed Value

Subtract any gross salary paid in column 7 from the total commercial value in column 6. Enter the difference in column 8. This is the imputed value of institution service.

Column 9—Distribution of Imputed Values to Agency Functions

The imputed values in column 8 are distributed to the appropriate 15 functions. For salaried joint personnel, the percent or hours of time spent in each function now become the basis for distributing imputed costs according to function.

Subtotal columns 6 through 9.

PART B: Volunteers are listed, either individually or as a "group," in column 1. Titles are shown in column 2, function code number in column 3, and number of hours or percent of time worked in column 5.

The commercial rate for the volunteers is entered in column 4. State this rate in the same unit of time (hours or percent) given in column 5. Multiply the number of units by the commercial rate and enter in column 6; this is the commercial value of volunteer time.

Column 7 is skipped and the column 6 figures are repeated in column 8 as the imputed value. The imputed value is then distributed to the functions in column 9.

Donated goods are noted, individually or as a "group," in column 1 and their commercial value at time of receipt is entered in column 6. Now enter any costs to the agency in column 7. The imputed value is the difference between column 6 and column 7, and it is entered in column 8. Then it is distributed to the various functions in column 9.

Subtotal columns 6 through 9.

PART C: Follow the instructions in part A and part B for determining and entering the imputed value of the cost of services or goods from government sources.

Subtotal columns 6 through 9.

Completing the Worksheet

Cross foot and balance the subtotals in each part and the grand total of imputed costs of donated goods and services. The information on this worksheet will be used to post entries on exhibits C and D.

St. Ann's Child Care Center
Analysis of Imputed Costs
Year ended December 31, 1967

	①	②	③	④	⑤	⑥
	Description	Title	Code	Commercial Rate	% or hours Inst. time	Total Comm. Value
A.	Religious Personnel			$		$
	Sister Mary Ann	Admin.	01	12000	80%	9600
	Sister Agnes	Asst. Admin	01	8000	100%	8000
	Group Sisters (5)	House Parents	02-06	26000	100%	26000
	Sister Mary Frances	S.W. Supr.	13	7500	100%	7500
	Sub-total					51100
B.	Other Donated Goods and Services					
	Henri Sykes	Clerk Typist	02	4800	50 %	2400
	J. Smith	Tutor	14	2/hr	120 hrs.	240
	T. Jones	Tutor	14	2/hr	120 "	240
	Women's Auxiliary	Seamstress	05	2/hr	240 "	480
						3360
	Donated goods					4000
	Sub-total					7360
C.	Donated Services from Government Sources					
	Special Education Teacher-School District #6	Special Education	14	8000	100%	8000
	Sub-total					8000
	Total Imputed Costs					66460

Editor's Note: This worksheet h

WORKSHEET 5

⑦	⑧	← ⑨ →						
Gross Salaries (Instit. only)	Imputed Value	Management and General 01.	Fund Raising 02.	Clothing + Personal Needs 05.	Res. Care Staff 06.	Recreation 09.	Social Work 13.	Special Education 14.
$	$							
3840	5760	5760						
4800	3200	3200						
24000	2000		1000		1000			
4800	2700						2700	
37440	13660	8960	1000	–	1000	–	2700	–
	2400		2400					
	240							240
	240							240
	480			480				
–	3360	–	2400	480	–	–	–	480
	4000			1500		1500		1000
–	7360	–	2400	1980	–	1500	–	1480
	8000							8000
–	8000	–	–	–	–	–	–	8000
37440	29020	8960	3400	1980	1000	1500	2700	9480
	29020	← 29020 →						

heet has been reduced to fit manual.

REPORTING IMPUTED VALUE OF DONATIONS

Definition of Imputed Value Imputed costs represent the difference between what the institution pays, and the commercial rate for goods and services that the agency receives as a donation or gift either free or at substantially less than the commercial rate. Imputed costs are reported as: Religious personnel; other donated goods and services; and government sources.

Agencies on the *Standards* should remember that, for *Standards* reporting: (a) Only those donated goods are imputed if the agency would otherwise have had to purchase the items; and (b) Donated services are not generally imputed. For this cost analysis system, however, ALL donated goods and all donated SERVICES are imputed costs, if the donations are used.

Religious Report the imputed value of the services rendered the institution by staff personnel who are members of a religious community who receive no pay at all, are paid substantially less than the commercial value of their services, or are paid a stipend. An illustration of this kind of imputed value would be a social worker who is a member of a religious order. She receives $75 a month from the agency as a stipend. This is subtracted from the commercial value of her work; $700 a month is the going rate paid in her community for her type of training and experience. The imputed value of the service, therefore, is $625.

Other Donations Report the commercial values of donations of other goods and services; do not include religious personnel services or other donations from government sources. These services, however, do include the commercial value of volunteers who participate as individuals or as members of a voluntary association such as a women's auxiliary. The volunteers participate without legal obligation and with no compensation of value such as promotion, money, or fulfillment of degree requirements.

Government Sources Report the identifiable costs to a government for services or goods that it renders below cost, specifically and routinely to a voluntary institution. An example would be a physician or psychiatrist who provides services on a regular basis and is paid by Medicaid. Another is a special education teacher provided by a school district.

Criteria Imputed personnel services generally include those that are directed toward providing regular institution functions. Generally, the service is a routine planned activity which the institution would otherwise employ staff to perform.

To be included as an imputed cost, a donation should meet the following criteria:

—It is usable by the agency for its institution service.

—It has a measurable commercial value.

—It is furnished directly to the agency and under its administrative control and is not routinely provided all children as a community service. Thus, public schools, tax-supported transportation, or scouting and recreation facilities are not included as imputed costs.

—It is an item that would be included in the cost analysis if it had been an actual expense to the agency. For example, a donated repair or replacement of agency plant and equipment is subject to the same dollar limitation as a repair or replacement paid for by the agency.

Do Not Include Imputation is not made for occasional or irregular service for which no plans can be made. Neither is imputation made for any "specialized extras" that are beyond the normal scope of the institution. Not included are persons employed by a parent organization . . . children who are residents in the institution but perform some work . . . anyone paid a fee or retainer although the amount of payment may be lower than the commercial rate. Do not include students when they are part of a work-study arrangement or in-service training for they are receiving valuable consideration for their work.

Commercial Value of Personnel The administrator or bookkeeper secures data on the rate of pay for comparable jobs in the community. For example, the commercial value of professional staff such as a social worker or teacher can be determined by consulting with other agencies or schools. Plant personnel or office staff have their direct counterparts in many other social agencies and in business firms. A religious federation or community fund may also have information on comparable salaries. Other sources of data include: Employment ads in professional journals or newspapers; and wage statistics such as those published by the U. S. Bureau of Labor, the U. S. Bureau of the Census, the Child Welfare League of America, Inc., and local State employment agencies.

Comparability of Data Since job titles vary for the same position and work performed, duties and responsibilities are compared in addition to job titles. Data should be from the same locality or area since there are regional variations in salaries. In general:

—If the rate obtained or quoted is other than weekly (for example, hourly, monthly, annually), the rate is converted to the weekly rate. Assume a 40-hour week if the length of the typical work week is unknown.

—If the staff person holds two separate positions in the agency—for example, houseparent and recreation director—the commercial weekly rate is determined for the time worked in each separate position.

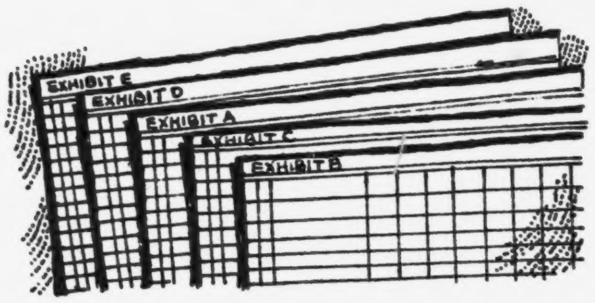
—For religious personnel, impute the value of a single job for the individual. Religious personnel are considered salaried; they, therefore, are not eligible for overtime imputation for more than 40 hours worked per week.

—Any special benefits received by imputed personnel are to be subtracted so that commercial rates are comparable for agency personnel and those receiving the regular going rate in the community.

EXAMPLE

	Commercial Value	$10,000
Less	Value of room, board, or spec. fringe benefits	2,000
	Adjusted Value	8,000
Less	Stipend or actual payments	2,400
	Imputed Value of personnel services	$ 5,600

Imputing Donated Goods If the gift was entirely free, a reasonable estimate of its commercial value at time of receipt can be obtained from such sources as price lists for commodities, catalogues, shopping lists, newspaper ads, and donors' estimates. Items of like quality and workmanship are compared. The commercial value of donated goods is reduced by the actual or estimated cost of putting the donated item in reasonable condition or transporting the item to the institution. The commercial value may be determined for an aggregate of similar items—such as value per carton of soup rather than per individual can.



V. PREPARING COST ANALYSIS REPORT

THE COST ANALYSIS report consists of four or five exhibits (five, if an operational analysis has compared the current year with any previous year), plus a written year end interpretation of the exhibits. The year end interpretation includes much of the information gathered in the initial review of agency operations prepared during the organizing step at the beginning of the fiscal year, together with selected findings, explanations, and qualification of the data in the exhibits. The exact nature of the interpretation depends on the group to whom the cost analysis report is presented and the purpose for which the cost analysis report is prepared.

(An illustration of a typical cost analysis report is contained in the blue sheets starting on page 45 at the end of this section.)

To prepare the exhibits, the bookkeeper will need to have completed worksheets, statistics on the number of child-days of care recorded throughout the fiscal year, and the initial review of agency operations.

The exhibits are prepared in the following order:

Exhibit B:	Actual Expenses of Institution Service by Functions by Child-Day
Exhibit C:	Imputed Costs of Institution Functions
Exhibit A:	Actual Expenses and Imputed Costs of Institution Functions by Child-Day
Exhibit D:	Summary of Institution Expenses
Exhibit E:	Comparative Statement of Institution Expenses for Current and Previous Fiscal Year

The bookkeeper fills in only the dollar amounts in all exhibits until exhibit D is balanced with the others. Then he can determine percentages and child-day costs to be entered on exhibits A, B, C.

Exhibit B: Actual Expenses of Institution Service By Functions by Child-Day

THIS EXHIBIT shows the agency expenses, applied parent organization expenses, and total agency and applied parent organization expenses—referred to as "actual expenses" in the exhibit.

Source material for this exhibit is taken from worksheet 1 or worksheet MS-1, worksheet 3, and worksheet 4.

An illustration of a completed exhibit B appears on the blue page 35; it is basic to understanding the instructions.

Column 1—Functions

List all 15 institution functions next to their code numbers.

Column 2—Agency Expenses

Enter under "$," the total expenses from agency accounts for each function listed either in the final line of column 6 on worksheet 1 . . . or in the final line of column 4 on worksheet MS-1. Do NOT enter any non-institution costs. Total the cost of all the functions; the total dollars of all the functions must balance either to the total of column 6 on worksheet 1 . . . or to the total agency expenditures in column 2 of worksheet MS-1.

Under the total cost of all functions, enter the yearly allowance for use of plant and equipment from the total of column 7 on worksheet 3.

After exhibit D is balanced with the other exhibits, compute the percent of agency expenses by dividing the cost of each function by the total cost of all functions (all functions = 100%) before the yearly allowance is added.

After exhibit D is balanced with the other exhibits, the per child-day costs are calculated by dividing the dollar amount by the number of child-days. Carry the division 4 decimal places for balancing, but enter only to the nearest penny.

Column 3—Applied Parent Organization Expenses

Under "$," enter all of the total applied parent organization expenses for each function from the total expenses in column 7 on worksheet 4. The total must balance to the total of column 6 on worksheet 4.

The percent and child-day cost of functions are computed as in column 2 above.

Column 4—Total Actual Expenses

Enter the total amounts in the "$" column by adding the dollar amounts in column 2 and column 3. After exhibit D is balanced with the other exhibits, the percent and child-day cost of functions are also computed and entered. Recompute the percent distribution; do not carry forward from column 2 and column 3.

Completing the Exhibit

Take the yearly allowance for use, and its per-child day cost, from column 2 and enter in column 4.

Total, cross foot, and balance.

St. Ann's Child Care Center

EXHIBIT B

Actual Expenses of Institution Service by Function by Child-Day

Total for year and total per Child-Day Based on 16,060 Child-Days

year ended December 31, 1967

	①	② Agency Expenses			③ Parent Organization			④ Total Actual Expenses		
Code	Functions	(WORKSHEET 1 OR MS-1) $	%	per Child-Day	(WORKSHEET 4) $	%	per Child-Day	$	%	per Child-Day
01	Management and General	44200	23.1	275	-	-	-	44200	21.9	275
02	Fund Raising	16300	8.6	102	-	-	-	16300	8.0	102
03	Plant Maintenance	21200	11.1	132	-	-	-	21200	10.4	132
04	Meals	37100	19.4	231	1950	17.2	12	39050	19.3	243
05	Clothing + Personal Needs	5500	2.9	34	-	-	-	5500	2.7	34
06	Residential Care Staff	39270	20.6	246	-	-	-	39270	19.4	246
07	Medical - Dental	1000	.5	06	-	-	-	1000	.5	06
08	General Education	-	-	-	-	-	-	-	-	-
09	Recreation	9320	4.9	58	-	-	-	9320	4.6	58
10	Religion	-	-	-	-	-	-	-	-	-
11	Psychiatry	1500	.8	09	-	-	-	1500	.8	09
12	Psychology	1500	.8	09	-	-	-	1500	.8	09
13	Social Work	14060	7.3	88	9360	82.8	58	23420	11.6	146
14	Special Education	-	-	-	-	-	-	-	-	-
15	Special Institution Functions	-	-	-	-	-	-	-	-	-
WS-1 or MS-1	Total all Functions	190950	100.0	1190	11310	100.0	70	202260	100.0	1260
WS-3	Yearly Allowance for Use of Plant and Equipment	14080		88	-		-	14080		88
	Total all Functions with Yearly Allowance	205030		1278	11310		70	216340		1348

Source: Worksheets 1 or MS-1, 3, + 4.

Editor's Note: This exhibit has been reduced to fit manual.

EXHIBIT C

St. Ann's Child Care Center
Imputed Costs of Institution Functions
Total for year and total per Child-Day Based on 16,060 Child-Days
Year ended December 31, 1967

	①	②		③		④		⑤		
		Religious Personnel		Other Donated Goods + Services		Government Sources		Total Imputed Costs		
Code	Functions	$	$ per Child-Day	$	$ per Child-Day	$	$ per Child-Day	Amount $	%	$ per Child-Day
01	Management and General	8960	57					8960	30.9	57
02	Fund Raising	1000	06	2400	16			3400	11.8	21
03	Plant Maintenance	—	—	—	—	—	—	—	—	—
04	Meals	—	—	—	—	—	—	—	—	—
05	Clothing + Personal Needs	—	—	1980	12	—	—	1980	6.8	12
06	Residential Care Staff	1000	06	—	—	—	—	1000	3.4	06
07	Medical-Dental	—	—	—	—	—	—	—	—	—
08	General Education	—	—	—	—	—	—	—	—	—
09	Recreation	—	—	1500	09	—	—	1500	5.2	09
10	Religion	—	—	—	—	—	—	—	—	—
11	Psychiatry	—	—	—	—	—	—	—	—	—
12	Psychology	—	—	—	—	—	—	—	—	—
13	Social Work	2700	17	—	—	—	—	2700	9.3	17
14	Special Education	—	—	1480	09	8000	50	9480	32.6	58
15	Special Institution Functions	—	—	—	—	—	—	—	—	—
	Total all Functions	13660	86	7360	46	8000	50	29020	100.0	180

Source: Worksheet 5

Editor's Note: This exhibit has been reduced to fit manual.

Exhibit C: Imputed Costs of Institution Functions

THIS EXHIBIT shows the total imputed costs by religious personnel, other donated goods and services, and government sources.

Source material for this exhibit is taken from worksheet 5.

An illustration of a completed exhibit C appears on the blue page 36; it is basic to understanding the instructions.

Column 1—Functions

List all 15 functions next to their code numbers.

Column 2—Religious Personnel

Enter each function dollar amount derived from the subtotals of part A, column 9, of worksheet 5.

See instructions for exhibit B on page 34 for the way to compute per child-day costs for each function. The total imputed costs of all functions in column 2 must agree with the subtotal of imputed value for religious personnel in part A, column 8, of worksheet 5.

Column 3—Other Donated Goods and Services

Enter the function-by-function dollar amounts taken from the subtotals of part B, column 9, of worksheet 5. The total imputed costs of all functions in column 3 must agree with the subtotal of imputed value for other donated goods and services in part B, column 8, of worksheet 5.

Compute the child-day costs as instructed in column 2.

Column 4—Government Sources

Enter the dollar amounts for each function taken from the subtotals of part C, column 9, of worksheet 5.

Compute the child-day costs as instructed in column 2. The total imputed costs of all functions in column 4 must agree with the subtotal of imputed value for donations from government sources in part C, column 8, of worksheet 5.

Column 5—Total Imputed Costs

Enter the function-by-function sums of column 2, column 3, and column 4. The total must balance with total imputed costs in column 8 of worksheet 5.

Compute the percent of the imputed cost of each function, and per child-day costs, as instructed in column 2 of exhibit B.

Completing the Exhibit

The total dollar amounts of column 2, column 3, and column 4 must agree with the subtotals of imputed values in parts A, B, and C of worksheet 5.

Cross foot and balance column 2, column 3, and column 4, with column 5.

Exhibit A: Actual Expenses and Imputed Costs Of Institution Functions by Child-Day

THIS EXHIBIT shows actual expenses, imputed costs, and total actual plus imputed costs.

Source material for this exhibit is taken from exhibit B and exhibit C.

An illustration of a completed exhibit A appears on the blue page 39; it is basic to understanding the instructions.

Column 1—Functions

List all 15 functions next to their code numbers.

Column 2—Actual Expenses

Enter each one of the line-by-line amounts from the amounts of actual expenses in column 4 of exhibit B.

Column 3—Imputed Costs

Enter the line-by-line amounts from the amounts of total imputed costs in column 5 of exhibit C.

Column 4—Actual plus Imputed Costs

Add column 2 and column 3 for the dollar amounts. The percent and per-day cost columns must be recomputed.

Completing the Exhibit

The totals in exhibit A must balance with the parallel totals in exhibits B and C.

EXHIBIT A

St. Ann's Child Care Center

Actual Expenses and Imputed Costs of Institution Functions by Child-Day
Total for fiscal year and total per Child-Day Based on 16,060 Child-Days
Year ended December 31, 1967

	①	② Actual Expenses			③ Imputed Costs			④ Actual plus Imputed Costs		
Code	Functions	Amount $	%	per Child-Day	Amount $	%	per Child-Day	Amount $	%	per Child-Day
01	Management and General	44200	21.9	275	8960	30.9	57	53160	23.0	332
02	Fund Raising	16300	8.1	102	3400	11.8	21	19700	8.5	123
03	Plant Maintenance	21200	10.5	132	–	–	–	21200	9.2	132
04	Meals	39050	19.3	243	–	–	–	39050	16.9	243
05	Clothing + Personal Needs	5500	2.7	34	1980	6.8	12	7480	3.2	46
06	Residential Care Staff	39270	19.4	246	1000	3.4	06	40270	17.5	252
07	Medical – Dental	1000	.5	06	–	–	–	1000	.4	06
08	General Education	–	–	–	–	–	–	–	–	–
09	Recreation	9320	4.6	58	1500	5.1	09	10820	4.7	67
10	Religion	–	–	–	–	–	–	–	–	–
11	Psychiatry	1500	.7	09	–	–	–	1500	.6	09
12	Psychology	1500	.7	09	–	–	–	1500	.6	09
13	Social Work	23420	11.6	146	2700	9.3	17	26120	11.3	163
14	Special Education	–	–	–	9480	32.7	58	9480	4.1	58
15	Special Institution Functions	–	–	–	–	–	–	–	–	–
	Total all Functions	202260	100.0	1260	29020	100.0	180	231280	100.0	1440
	Yearly Allowance for Use of Plant and Equipment	14080		88	–		–	14080		88
	Total all Functions with yearly Allowance	216340		1348	29020		180	245360		1528

Sources: Exhibits B + C

Editor's Note: This exhibit has been reduced to fit manual.

St. Ann's Child Care Center

EXHIBIT D*

Summary of Institution Expenses
For Cost Analysis Purposes
Year ended December 31, 1967

	Details	Amount		Source or Balance
1.	Expenses from Agency Accounts:			WS-1
	Payroll Expenses	125950		
	Non-payroll Expenses	91300		
	Total expenses from Agency Accounts		217250	
2.	Adjustments per Cost Analysis:			WS-1
	Add:			
	Expenses from Special Funds	1000		
	Farm Produce used in the Institution	5000	6000	
	Deduct:			
	Excess repairs and replacements	4000		
	Payroll expenses to Farm	3300		
	Other Farm expenses	25000	32300	
3.	Agency Expenses Applied to the Institution		190950	WS-1-EXH.B.
4.	Applied Parent Organization Expenses		11310	WS-4. EXH.B.
5.	Total Actual Expenses Applied (Agency plus Parent)		202260	EXH. B-A.
6.	Imputed Costs of Goods and Services:			WS.-5
	Religious Personnel	13660		
	Other Donated Goods and Services	7360		
	Government goods and services	8000	29020	EXH. C-A.
7.	Total Actual and Imputed Costs		231280	EXH. A.
8.	Add Yearly Allowance for Use of Plant and Equipment†		14080	WS-3 EXH B.
9.	Total All Functions with Yearly Allowance		245360	EXH. A.

† Replacement value of Plant and Equipment for Institution - use $573,800 (WS-3)

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* ***Editor's Note: This exhibit must be adapted for the multi-service agency to show recapitulation to all agency expenditures.***

Editor's Note: This exhibit has been reduced to fit manual.

Exhibit D: Summary of Institution Expenses

EXHIBIT D is used to reconcile the various worksheets and other exhibits. The instructions, therefore, are detailed.

Source material for this exhibit is taken from worksheet 1 or worksheet MS-1, worksheet 3, worksheet 4, worksheet 5; and exhibit A, exhibit B, and exhibit C.

A multi-service agency adapts the instructions for item 1, item 2, and item 3 to show recapitulation of expenditures to worksheet MS-1.

An illustration of a completed exhibit D appears on the blue page 40; it is basic to understanding the instructions.

Item 1—Expenses from Agency Accounts (Before Adjustments)

Enter the total payroll expenses from column 5 of worksheet 1.

Total non-payroll expenses in column 6 and column 7 of worksheet 1 BEFORE adjustments, and enter the sum as total non-payroll expenses.

The total of payroll expenses and non-payroll expenses must equal the total disbursements from agency accounts before adjustments in column 4 of worksheet 1.

Item 2—Adjustments per Cost Analysis

Enter all of the adjustments from worksheet 1 that increase or decrease agency expenses to be charged to the institution service. Do NOT enter adjustments between functions—such as the payroll distribution.

Item 3—Agency Expenses Applied to the Institution

Total all of the figures entered in item 1 and item 2, and enter as item 3. The figure must equal the following figure from worksheet 1: Total of column 4 after adjustments, minus the total of column 7 after adjustments. It must also equal the total of all functions in column 2 of exhibit B.

Item 4—Applied Parent Organization Expenses

Enter the total of column 6 from worksheet 4. This must also equal the total of all functions in column 3 of exhibit B.

Item 5—Total Actual Expenses (Agency Plus Parent Organization)

Add item 3 and item 4, and enter in item 5. This must equal the total of all functions in column 4 of exhibit B. It must also equal the total of all functions in column 2 of exhibit A.

Item 6—Imputed Costs of Goods and Services

Enter all of the subtotals from parts A, B, and C in column 8 of worksheet 5. The total of item 6 must agree with the total imputed values in column 8 on worksheet 5. All subtotals and the total must agree with the parallel amounts on exhibit C. Total must agree with total of column 3 of exhibit A.

Item 7—Total Actual and Imputed Costs

Add item 5 and item 6, and enter as item 7. The figure must agree with the total of all functions in column 4 on exhibit A.

Item 8—Add Yearly Allowance for Use of Plant and Equipment

Enter the total of column 7 from worksheet 3. It must equal the yearly allowance entered in column 2 of exhibit B.

Enter as a footnote the total replacement value or actual cost of plant and equipment for institution use from column 5 of worksheet 3.

Item 9—Total All Functions with Yearly Allowance

Add item 7 and item 8, and enter as item 9. This total must equal the final total amount reported in column 4 of exhibit A.

Completing the Exhibit

The exhibit is now complete.

Exhibit E: Comparative Statement of Institution Expenses for Current and Previous Fiscal Year

THIS EXHIBIT shows the type of comparative analysis that can be made after cost analysis reports have been prepared for two consecutive fiscal years.

Source material for this exhibit is taken from exhibits B of any years being compared.

An illustration of a completed exhibit E appears on the blue page 43; it is basic to understanding the instructions and compares actual expenses for each of the 15 institution functions for the present year and previous year.

This exhibit can also serve as the base for an explanation of changes in the written year end interpretation accompanying the final cost analysis report, tying together the imputed costs with the actual expenses . . . analyzing imputed costs or total actual plus imputed costs . . . or identifying trends.

Column 1—Functions

List all 15 functions next to their code numbers.

Column 2 and Column 3—Actual Expenses

Enter in column 2 actual expenses for each function of the previous year taken from exhibit B of the previous year's cost analysis report. Enter in column 3, actual expenses for the current year from exhibit B of the current cost analysis report.

Column 4—Increase or Decrease

Enter the difference between column 2 and column 3. This column shows any increase or decrease in actual expenses for each function from year to year.

Column 5—Percent Total Change

Report in this column the computed percent change for each function between the two years.

Completing the Exhibit

Number of child-care years and cost per child-year (without yearly allowance) is entered at bottom. In the illustration, these figures help explain how an increase in child-care years resulted in an increase in total expenses, as well as in a decrease in expenses per child.

St. Ann's Child Care Center

EXHIBIT E

Comparative Statement of Institution Expenses
for Current and Previous Fiscal Year.
December 31, 1967

Code	① Functions	② Actual Expenses Dec. 31, 1966	③ Actual Expenses Dec. 31, 1967	④ $ Increase (Decrease)	⑤ % Change
01	Management and General	24377	44200	19823	81.3
02	Fund Raising	11403	16300	4897	14.3
03	Plant Maintenance	22316	21200	(1116)	(5.0)
04	Meals	34776	39050	4274	11.2
05	Clothing and Personal Needs	7380	5500	(1880)	(25.5)
06	Residential Care Staff	42291	39270	(3021)	(7.1)
07	Medical - Dental	1478	1000	(478)	(32.3)
08	General Education	195	-	(195)	(100.0)
09	Recreation	10092	9320	(772)	(7.6)
10	Religion	-	-	-	-
11	Psychiatry	1075	1500	425	14.0
12	Psychology	575	1500	925	261.0
13	Social Work	21005	23420	2415	11.1
14	Special Education	-	-	-	-
15	Special Institution Functions	-	-	-	-
	Total All Functions	176963	202260	25297	11.4
	Add:				
	Yearly Allowance for Use of Plant and Equipment	14080	14080	-	-
	Total All Functions with Yearly Allowance	191043	216340	25297	11.4
	Child-care years	35	44	9	25.7
	Cost of child-year (without yearly allowance)	5056	4917	(139)	(2.8)

Source: Exhibits B of any years being compared.

Editor's Note: This exhibit has been reduced to fit manual.

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ILLUSTRATION OF A COST ANALYSIS REPORT

ST. ANN'S CHILD CARE CENTER
A Unit of Catholic Charities
Blanksville

Cost Analysis for Fiscal Year Ended
December 31, 1967

This cost analysis has been prepared in conformity with "Analyzing Costs in a Residential Group Care Facility for Children: A Step-by-Step Manual" published by the Child Welfare League of America, Inc.

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B. Actual Expenses of Institution Service by Functions by Child-Day

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D. Summary of Institution Expenses

E. Comparative Statement of Institution Expenses for Current and Previous Fiscal Year

YEAR END INTERPRETATION OF AGENCY OPERATIONS*

Type of Agency

St. Ann's Child Care Center of Blanksville is a voluntary agency under the auspices of the Catholic Charities of Blanksville.

Affiliations

St. Ann's is an independent, incorporated social agency operating within the regulations of Catholic Charities. It participates in the United Fund and raises additional funds principally through its annual Christmas campaign. Parent organization expenses from Catholic Charities include social work services and the services of a dietician.

Program Services Provided

St. Ann's provides an institution service.

In a multi-service agency, all program services would be listed under this heading; this illustration of a cost analysis report is only for an institution-alone.

Type of Children Served

A relatively wide range of children with problems that require a controlled group living experience are admitted; the children are aged 10 to 18. The majority currently served are teenagers who have been in the program for two or more years. While some children may now be described as "relatively normal," none can yet remain in their own or foster homes. A planned effort is being made to accept at intake a larger number of children in the "disturbed" range.

** Editor's Note: This year end interpretation can also serve as a model for the initial review of agency operations.*

Donated Goods and Services

St. Ann's receives surplus commodities. The Women's Auxiliary provides sewing services. A nearby swimming pool gives summer-long passes. Other local organizations regularly provide passes for movies, bowling, and special events. One volunteer works regularly in the fund raising office and two volunteers tutor children.

Local School District #6 provides a special education teacher.

Eight Sisters -- the administrator, assistant administrator, social work supervisor, and 5 cottage counselors -- perform services for the institution. Each Sister receives a stipend of $4800 per year in lieu of full commercial pay.

Physical Factors

This institution is licensed as a general child-care facility by the State Department of Public Welfare for a bed capacity of 60 children aged 10 to 18. A total of 16,060 child days of care were provided. The average child population during the fiscal year just ended was 44 children per day. At the end of the previous fiscal year, the child population was 35.

The institution is located on 15 acres in a residential area, near the beltway, in an outlying section of Blanksville. The plant, completed in 1961, consists of: 5 specially designed cottages constructed on a split level; a recreation and multi-purpose building that also houses the central kitchen; an administrative building; and a home for the two couples who are residential care staff.

Replacement value of institution buildings; furniture, fixtures, and equipment; and motor vehicles is currently assessed at $561,800.

All space is used for the institution program except for two areas: Part of the space in the administration building is used jointly for institution functions and farm activities; and the multi-purpose building is used for institution activities as well as farm storage.

Non-Institution Activities

A profit-oriented farm is operated by the agency. Its expenses have been separated from institution expenses. Some of the produce raised at this farm is used in the institution operations, and the cost of meals has been adjusted for the value of the produce.

Institution Functions

01. Management and General

The administrator, who is a Sister, directs the institution and also directs the work of the farm. There is an assistant administrator. Three clerical staff and a bookkeeper are employed. A record of time spent by the administrator in farm activities is kept and her expenses have been charged accordingly.

02. Fund Raising

The agency conducts a fund raising campaign in addition to support received from the United Fund. A full-time fund raiser is employed. Part of the time of one clerical worker is spent in fund raising. Any donated clerical time is allocated and imputed. Direct expenses include a bi-monthly publication and the annual campaign.

03. Plant Maintenance

Maintenance work is performed by two women who clean the offices and cottages, multi-purpose area, and the office space. Other maintenance workers, including those caring for grounds, are hired as required. No major repairs were made this year.

04. Meals

Meals are cooked in a central kitchen in the multi-purpose building and carried to the cottages for two meals a day; there is no central dining hall. The houseparents prepare breakfast served in the cottages. All houseparents are provided all meals while they are on the grounds. The food is purchased and prepared under the direction of a dietician provided by Catholic Charities who supervises the operation. A full-time cook and several part-time persons are in the kitchen. Surplus commodities are used, as well as food grown on the agency's profit-oriented farm.

05. Clothing and Personal Needs

There is no special staff for this function; it is included as part of the regular job of the child-care staff. Purchasing is the responsibility of the dietician who also purchases food.

Each cottage has a washing machine and dryer operated by the houseparents. Sheets are sent off-grounds to a commercial laundry. Some clothing is sent off-grounds for dry cleaning. The costs of grooming (haircuts, shoe repair, etc.) are charged to this function.

The children are given 30¢ a day to purchase their lunches when at school. Also, an additional allowance is provided for school supplies, books, transportation to school, and personal items.

Sewing services are provided by the Women's Auxiliary.

06. Residential Care Staff

There are 2 couples and 5 Sisters who act as child-care staff for the 5 cottages. (One housefather is regularly assigned one-half time to coordinate the recreation function.) No dependents currently live with the houseparents.

07. Medical-Dental

A number of physicians and a dentist in private practice serve the needs of the children. Most of the care is provided by 2 physicians who charge a regular, reduced fee per visit. Most children are eligible for the State's Medicaid program covering costs for in-hospital and clinical care.

No full-time staff is assigned to this function on a continuing basis. The houseparents transport the children off-grounds for medical and dental care.

08. General Education

Most children attend public schools in the area. Liaison is maintained principally by the assistant administrator. (Some off-grounds school supplies are purchased as required and are included in 05. Clothing and Personal Needs.)

09. Recreation

Half-time of 1 housefather is allocated to coordinate the recreation function. One person is employed for 12 weeks during the summer and a part-time person is employed the rest of the year. Some space in the multi-purpose building is used for recreation.

10. Religion

The children attend chapel services on the grounds. There are no expenses connected with the religion function.

11. Psychiatry

A psychiatrist on a fee basis comes weekly to the institution and spends 1 hour in conference with houseparents and 1 hour in conference with other staff. No community psychiatric facilities are available.

12. Psychology

A psychologist is consulted on a fee basis, as needed.

13. Social Work

The social work function is operated as part of a "field service unit" of Catholic Charities (a parent organization) under the direction of the institution's social work supervisor, a Sister. Catholic Charities provides 3 part-time social workers. One secretary is assigned to the Social Work function by the institution.

14. Special Education

No agency funds are expended for this function; most children attend the community public schools while a special education teacher is provided by School District #6 for up to 10 children at a time who cannot attend public school. Two students from the State college work as regular volunteers to provide 4 hours per week tutoring for 30 weeks each school year; their students are children who are experiencing special problems in the public school.

15. Special Institution Functions

The agency has none.

Editor's Note: If the agency farm were a program-oriented operation, rather than profit-oriented, it would be described as a Special Institution function and its cost data included in the cost analysis.

ANALYSIS OF FISCAL DATA

Actual agency plus parent organization expenses of the institution service for the fiscal year ended December 31, 1967 were $202,260. This represents an increase of $25,297 over the 1966 expenses.

The average child-care years increased from 35 in 1966 to 44 in 1967. The cost per child decreased from $5,056 to $4,917. (See exhibit E.)

The functions accounting for the majority of increases and decreases are as follows:

Functions	Increase	Decrease
01. Management and General	$19,823	
02. Fund Raising	4,897	
04. Meals	4,274	
13. Social Work	2,415	
Increase - Other Functions	1,350	
06. Residential Care Staff		$ 3,021
05. Clothing and Personal Needs		1,880
Decrease - Other Functions		2,561
Increases	$32,759	7,462
Decreases	7,462	
Net Increases	$25,297	

A brief summary of the changes in each of the above functions follows:

01. Management and General

The increase in Management and General is primarily due to the replacement of religious staff with lay staff. This year, a bookkeeper and a clerk-typist were employed to fill 2 positions formerly occupied by Sisters (whose salaries were imputed in last year's cost analysis). The increased salaries and related fringe benefits for the lay staff, together with an increase in stipends from $200 per month to $400 per month for the administrator and assistant administrator, accounted for $12,500 of the $19,823 increase in this function.

02. Fund Raising

The director of fund raising was shifted from part-time to full-time. This is in line with the growing responsibility of the institution to raise a greater share of its increased operating expenses and its plan to build a baseball field during the coming year.

04. Meals

Increased costs resulted primarily from increased food costs. Approximately 9,000 additional meals were served because of the increase in child population from 35 to 44.

13. Social Work

There was an increase in social work services to the institution by Catholic Charities (parent organization expenses). During the year there were 17 admissions and 8 discharges for a net increase of 9 more children under care in 1967 as compared to 1966. This resulted in an increase of social work time, particularly in intake, aftercare, and consultations with families and cooperating organizations.

06. Residential Care Staff

This function accounted for the major decrease in expenses during 1967. Since this was due principally to vacancies -- the agency has not yet been successful in hiring couples to replace Sisters who retired as residential care staff -- this decrease in costs will probably not be repeated.

05. Clothing and Personal Needs

An increase in donations of goods and services by the Women's Auxiliary made possible decreased expenses.

Relating Costs to County Income

The rates paid by the County average $1,080 annually, representing about 22% of the current per child-year costs.

02. Fund Raising

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Relating Costs to County Income

The rates paid by the County average $1,080 annually, representing about 22% of the current per child-year costs.

St. Ann's Child Care Center
ACTUAL EXPENSES OF INSTITUTION SERVICE BY FUNCTIONS BY CHILD-DAY
Total for Year and Total per Child-Day based on 16,060 Child-Days
Year Ended December 31, 1967

Exhibit B

FUNCTIONS	AGENCY EXPENSES			PARENT ORGANIZATION			TOTAL ACTUAL EXPENSES		
	Amount	Percent	Per Child-Day ($)	Amount	Percent	Per Child-Day ($)	Amount	Percent	Per Child-Day ($)
01. Management and General	$ 44,200	23.1	2.75	---	---	---	$ 44,200	21.9	2.75
02. Fund Raising	16,300	8.6	1.02	---	---	---	16,300	8.0	1.02
03. Plant Maintenance	21,200	11.1	1.32	---	---	---	21,200	10.4	1.32
04. Meals	37,100	19.4	2.31	1,950	17.2	.12	39,050	19.3	2.43
05. Clothing and Personal Needs	5,500	2.9	.34	---	---	---	5,500	2.7	.34
06. Residential Care Staff	39,270	20.6	2.46	---	---	---	39,270	19.4	2.46
07. Medical-Dental	1,000	.5	.06	---	---	---	1,000	.5	.06
08. General Education	---	---	---	---	---	---	---	---	---
09. Recreation	9,320	4.9	.58	---	---	---	9,320	4.6	.58
10. Religion	---	---	---	---	---	---	---	---	---
11. Psychiatry	1,500	.8	.09	---	---	---	1,500	.8	.09
12. Psychology	1,500	.8	.09	---	---	---	1,500	.8	.09
13. Social Work	14,060	7.3	.88	9,360	82.8	.58	23,420	11.6	1.46
14. Special Education	---	---	---	---	---	---	---	---	---
15. Special Institution Functions	---	---	---	---	---	---	---	---	---
TOTAL ALL FUNCTIONS	190,950	100.0	11.90	11,310	100.0	.70	202,260	100.0	12.60
Yearly Allowance for Use of Plant and Equipment	14,080		.88	---		---	14,080		.88
TOTAL ALL FUNCTIONS WITH YEARLY ALLOWANCE	$205,030		$12.78	$11,310		$ .70	$216,340		$13.48

Editor's Note: This exhibit has been reduced to fit manual.

Exhibit C

St. Ann's Child Care Center
IMPUTED COSTS OF INSTITUTION FUNCTIONS
Total for Year and Total per Child-Day based on 16,060 Child-Days
Year Ended December 31, 1967

FUNCTIONS	RELIGIOUS PERSONNEL		OTHER DONATED GOODS AND SERVICES		GOVERNMENT SOURCES		TOTAL IMPUTED COSTS		
	Amount	Per Child-Day ($)	Amount	Per Child-Day ($)	Amount	Per Child-Day ($)	Amount	Percent	Per Child-Day ($)
01. Management and General	$ 8,960	.57	---	---	---	---	$ 8,960	30.9	.57
02. Fund Raising	1,000	.06	2,400	.16	---	---	3,400	11.8	.21
03. Plant Maintenance	---	---	---	---	---	---	---	---	---
04. Meals	---	---	---	---	---	---	---	---	---
05. Clothing and Personal Needs	---	---	1,980	.12	---	---	1,980	6.8	.12
06. Residential Care Staff	1,000	.06	---	---	---	---	1,000	3.4	.06
07. Medical-Dental	---	---	---	---	---	---	---	---	---
08. General Education	---	---	---	---	---	---	---	---	---
09. Recreation	---	---	1,500	.09	---	---	1,500	5.2	.09
10. Religion	---	---	---	---	---	---	---	---	---
11. Psychiatry	---	---	---	---	---	---	---	---	---
12. Psychology	---	---	---	---	---	---	---	---	---
13. Social Work	2,700	.17	---	---	---	---	2,700	9.3	.17
14. Special Education	---	---	1,480	.09	8,000	.50	9,480	32.6	.58
15. Special Institution Functions	---	---	---	---	---	---	---	---	---
TOTAL ALL FUNCTIONS	$13,660	$ .86	$7,360	$ .46	$ 8,000	$ .50	$29,020	100.0%	$1.80

Editor's Note: This exhibit has been reduced to fit manual.

Exhibit D

St. Ann's Child Care Center
SUMMARY OF INSTITUTION EXPENSES
For Cost Analysis Purposes
Year Ended December 31, 1967

Details	Amounts	
	$	$
1. Expenses from Agency Accounts:		
Payroll Expenses	125,950	
Non-Payroll Expenses	91,300	
Total Expenses from Agency Accounts		217,250
2. Adjustments per Cost Analysis:		
Add: Expenses from Special Funds	1,000	
Farm Produce Used in Institution	5,000	6,000
Deduct: Excess Repairs and Replacements	4,000	
Payroll Expenses to Farm	3,300	
Other Farm Expenses	25,000	32,300
3. Agency Expenses Applied to the Institution		190,950
4. Applied Parent Organization Expenses		11,310
5. Total Actual Expenses Applied (Agency plus Parent)		202,260
6. Imputed Costs of Goods and Services:		
Religious Personnel	13,660	
Other Donated Goods and Services	7,360	
Government Goods and Services	8,000	29,020
7. Total Actual and Imputed Costs		231,280
8. Add Yearly Allowance for Use of Plant and Equipment*		14,080
9. Total All Functions with Yearly Allowance		245,360

*Replacement Value of Plant and Equipment for Institution Use -- $561,800

Editor's Note: This exhibit must be adapted for the multi-service agency to show recapitulation to all agency expenditures.

Exhibit E

St. Ann's Child Care Center
COMPARATIVE STATEMENT OF INSTITUTION EXPENSES FOR
Current and Previous Fiscal Year
December 31, 1967

Functions	Actual Expenses 12-31-66	Actual Expenses 12-31-67	$ Increase (Decrease)	% Change
01. Management and General	$ 24,377	$ 44,200	$ 19,823	81.3
02. Fund Raising	11,403	16,300	4,897	14.3
03. Plant Maintenance	22,316	21,200	(1,116)	(5.0)
04. Meals	34,776	39,050	4,274	11.2
05. Clothing and Personal Needs	7,380	5,500	(1,880)	(25.5)
06. Residential Care Staff	42,291	39,270	(3,021)	(7.1)
07. Medical-Dental	1,478	1,000	(478)	(32.3)
08. General Education	195	---	(195)	(100.0)
09. Recreation	10,092	9,320	(772)	(7.6)
10. Religion	---	---	---	---
11. Psychiatry	1,075	1,500	425	14.0
12. Psychology	575	1,500	925	161.0
13. Social Work	21,005	23,420	2,415	11.1
14. Special Education	---	---	---	---
15. Special Institution Functions	---	---	---	---
TOTAL ALL FUNCTIONS	176,963	202,260	25,297	11.4
Add: Yearly Allowance for Use of Plant and Equipment	14,080	14,080	---	---
TOTAL ALL FUNCTIONS WITH YEARLY ALLOWANCE	$191,043	$216,340	$ 25,297	11.4%
Child-Care Years	35	44	9	25.7
Cost of Child-Year (without yearly allowance)	5,056	4,917	(139)	(2.8)

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APPENDIX A
ANALYZE OPERATIONS

AFTER THE COST ANALYSIS REPORT has been completed, the agency may begin to consider meaningful ways to apply the information in the report.

The specific techniques used by an agency will be determined by its own problems. For this reason, this appendix illustrates responses to typical questions asked of—and by—agency executives and staff. The questions and answers are neither inclusive nor exhaustive; they merely indicate some of the ways the information in the worksheets, exhibits, and the year end interpretation can be used in managing the institution and external reporting.

Comparative analysis is one important tool in financial analysis of operations. The results of a current year's operations are compared with one or more previous years. This type of analysis is employed by budget analysts and is also helpful in preparing a budget or forecasting future years' operations.

Even a simple analysis of per child-year costs of the various functions over a period of years can yield insight into the effects of policy changes, salary increases, adding staff to any of the 15 functions, or increasing volume of services.

By repeating comparative analyses over a period of years, a body of information can be developed to answer many other key questions. What are the long-range trends in expenses? What are the sources of major increases or decreases in costs? What costs are influenced by population changes?

Before a clear pattern of costs and relationships can emerge, the agency collects data based on uniform definitions, using consistent methods to amass that data over a period of years. Only in this way will the information be valid for community planning and agency administration.

An illustration of a comparative analysis starts on the blue sheets beginning on page 51.

Here are some questions which cost analysis data can answer:

What Effect Would a 5% Increase in Payroll Expenses Have on Institution Costs?

Worksheet 2 (page 17) reports total agency payroll costs of $125,950; however, payroll costs applied to the non-institution activities are $3,300. Therefore, the payroll cost applicable to the institution is $122,650. An increase of 5% in this figure would mean an increase in institution payroll costs of $6,132.

What Effect Would An Anticipated 4% Increase in Cost of Living (Non-payroll Expenses) Have on the Budget?

Worksheet 1 (page 13) shows that of the total $91,300 spent by the agency for non-payroll expenses, $25,000 is spent for non-institution (farm) expenses. The remaining $66,300 spent for non-payroll institution expenses, if subject to a 4% increase, would total about $2,650 more.

How Much Would It Cost to Maintain the Same Level of Service Without Religious Personnel?

Imputed costs in section A of worksheet 5 (page 29) illustrates that it would cost $13,660 to replace religious personnel at St. Ann's Child Care Center.

What Is The Cost of Caring for An Individual Child?

The average cost of a day of care (actual plus imputed) is secured from exhibit A (page 53). Excluding the yearly allowance for plant use, this comes to $14.40 per day. To estimate the current cost of caring for this child, $14.40 would be multiplied by the actual number of days of care rendered this child.

Are All Costs Affected by Changes in the Number of Children Served?

Three functions—Management and General, Fund Raising, and Plant Maintenance—are not as influenced by the volume of service as are the other functions. Plant maintenance, for example, goes on whether there are 30 children or 40 children in the institution. Thus, since such cost elements are either independent of, or less dependent on, volume of program, knowing the ratio of these costs to total costs is invaluable when planning for expansion or reduction in services.

Thus, in exhibit B (page 54), 43% of the total institution costs is not particularly sensitive to increase in volume of service to children.

EXAMPLE

Actual Expenses for Mgmt. & General, Fund Raising, Plant Maint. = $ 81,700
Total Actual Expenses —All Functions 190,950 = 43%

Some functions are particularly sensitive to turnover in the agency's child population, and increased costs may be related primarily to turnover.

Using the average number of children cited in the cost analysis report for the year, however, may be misleading since the average may be the same from one year to the next, whether the population increases or decreases within a year.

EXAMPLE	First Year	Second Year
Beginning of Year	35	53
End of Year	53	35
Average No. of Children	44	44

Instead, the rate of turnover should be computed, and special attention given to the influence of turnover on such functions as: Medical-Dental; Clothing and Personal Needs; Social Work; and Psychiatry.

How Does Cost Analysis Data Reflect the Annual Cost of the Use of Plant and Equipment?

Much of this information required by administrators for their own use and for reporting to the public may be obtained from exhibit A (page 53). In addition to reporting actual expenses and imputed costs, this exhibit relates a yearly allowance for use of plant and equipment to total and per child-day costs. Supporting information can be obtained from worksheet 3 (page 18).

How Does An Agency Measure Marginal Cost —The Cost Incurred by Adding More Service To Any of its 15 Institution Functions—and How Is This Marginal Cost Reflected in Unit Cost Per Child-Year?

The rate at which marginal costs increase or decrease is influenced by how much of the costs in a function are "fixed" or "variable."

An illustration of how to measure marginal costs can be found by looking at the Meals function, based on agency expenses only, after adjustments to column 6 of worksheet 1 (page 13). The current cost of the Meals function for 44 children, is computed this way:

EXAMPLE

Salaries	$12,100	$275 per child-year	32.6%
Food and Other	25,000	568 per child-year	67.4%
	$37,100	$843 per child-year	100 %

However, the total cost of handling 4 or more children a year would not be computed by multiplying 4 by $843 (the current total cost per child-year), and arriving at $3,352 as the increase in cost of the Meals function. The present kitchen staff is capable of handling 4 more children; the total cost of salaries spent for this increased volume of service in the Meals function would remain fixed. Therefore, the variable cost would be incurred only by food and other expenses in the Meals function.

Thus, after admission of 4 more children, the cost of feeding 48 children would be estimated as follows:

EXAMPLE

Salaries	$12,100	$252 per child-year
Food and Other	27,272	568 per child-year
	$39,372	$820 per child-year

The marginal increase in cost of the Meals function, therefore, would be $2,272. And the actual unit cost of meals per child-year would actually be reduced from $843 to $820.

APPENDIX B
TIME ALLOCATION METHODS

• • • • • • • • • • • •

ONE OF THE FIRST STEPS to be taken in organizing for the cost analysis at the beginning of the fiscal year, is to decide on a time allocation method for gathering data on allocating the time, and the costs of time, of staff members—particularly of joint personnel. Joint personnel costs may occur for personnel employed by the agency, or for personnel employed by a parent organization but working less than full-time on the institution service.

There are three major time allocation methods for distributing staff time and costs among the 15 institution functions, and between the institution service and any non-institution activities.

- ► Assign a staff person fully to one of the 15 institution functions, or to a non-institution activity;
- ► Allocate time according to a fixed percent based on routine work assignments or other records;
- ► Allocate time according to a formal time study.

Generally, some time allocation will be required for the following staff members usually considered joint personnel:

—Staff members who work regularly in more than one institution function;

—Staff members who work in the institution service and some non-institution activity;

—Staff members of the parent organization who regularly work in the institution service, and also perform other duties for the parent organization or some non-institution activity.

Selecting A Time Allocation Method

The agency staff can choose from a number of generally accepted time allocation methods, provided that the method fits the skills of the agency staff, and produces the information needed for this cost analysis. Indeed, the kind of information the agency decides to secure will have a determining influence on the time allocation method selected.

It should be clear that time allocation methods can be used without a cost analysis . . . or can be used to extend the time allocation methods of the cost analysis to provide important supplementary information for management purposes.

For example, if the agency decides to seek more information than required for this cost analysis, it also extends the requirements of the time allocation method selected.

One example is the recent time study of social workers reported by the Welfare Council of Metropolitan Chicago.[1] This study reported time by: Direct service with child; direct service with parent; direct service with collaterals; telephone contacts; supportive services; dictation; general office activity; travel; community contacts; professional self-improvement; and personal time.

Time and Effort

The three time allocation methods outlined in this manual are geared to the minimum level required by this cost analysis.

If the agency decides only this minimum information is necessary, a few hours of work, spread over the year, is all that is required of the time study supervisor and the participating joint personnel whose time is being allocated. If it is decided to collect additional information, and to involve more staff members, the required staff time will increase.

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[1] Jones, Leroy H., "New Tools for Administration of Children's Institutions—An Analysis of Time, Costs and Operations," (Chicago: Welfare Council of Metropolitan Chicago, 1967).

A member of the staff working at a supervising clerk level can handle the job of time study supervisor.

Normally, if the agency decides to run a formal time study, the time study supervisor should be a full-time person, even though only a portion of his time is required. A formal time study, however, is only one method of securing time allocation information and is usually needed only by the multi-service agency.

In an institution-alone, much of the staff can have their time allocated by full-time assignment or fixed percent allocation. And, if there are no parent organization or non-institution activities in the institution-alone, the only time allocation required is the time spent by joint institution personnel in any of the 15 institution functions.

Accuracy of Information

Required accuracy of the data is an important consideration when selecting a time allocation method.

- —To what purpose will the information be directed? For example, will it provide an estimate for general cost allocation purposes, or will it be used to evaluate the use of time for rescheduling or assessment of staff efficiency?
- —What are the implications of errors? For example, will substantial portions of institution costs be influenced by the data? Will decisions be made on the basis of relatively small differences in the data?

Accuracy is not only related to sampling error, but also to the way time study procedures are applied. There are numerous potential sources of error in a time study. Careful instructions, supervision of procedures, and editing are important elements—along with size and random nature of the sample—in assuring accuracy.

3 Basic Time Allocation Methods

Full-Time Assignment The time of agency and parent organization staff members who work full- or virtually full-time, in one of the 15 institution functions, is assigned fully to that function; an occasional special assignment or emergency is not considered since full-time function assignment is defined to include personnel occasionally working in other functions.

Full-time assignment to functions is handled directly by the bookkeeper on the basis of a function code given to an individual or group at the beginning of the fiscal year. Staff members receiving full-time function assignments usually include houseparents, cooks, clerks, maintenance staff, recreation workers, clergymen, and teachers. They may also include social workers, psychiatrists, psychologists, and administrators.

Fixed Percent Allocation A fixed percent allocation is applied to the time of staff who work in more than one function and non-institution activities, if the agency has information to serve as a reasonable basis for such allocation. A "reasonable basis" would consist of such records as reports of regular scheduling, or assignment or appointment books, since these records are evidence of how working time is spent.

The fixed percent allocation method is used for individuals, not for groups, and when minor errors in estimating the use of time of individuals will not have a major impact on the cost of a specific function or the entire institution service. Also, if only one or two staff members require allocation of time for cost analysis, this method may be used instead of a formal time study.

Examples of staff members whose time can be allocated on a fixed percent basis are: A houseparent supervising recreation during regularly assigned hours; or a typist assigned 3 days a week to Management and General, and 2 days to Fund Raising. The time spent by a clerk in any function may be allocated on the same basis as the time of the professional employee for whom he works.

Formal Time Study Time studies are applied to staff who work in irregular or unscheduled patterns, or because there are special questions about the use of their time. The two basic methods of time study are: Observation method, in which someone else records what the worker is doing; and the log method, in which the worker keeps his own records.

Observation (work sampling) Time Study

In this method, one person is assigned to observe and record what another staff member is doing. In current practice, observation is usually combined with sampling procedures in "work sampling." For example, in the *Time and Cost Analysis Series*[2] of the Family Service Association of America, a clerical employee of the agency observes staff activities at randomly scheduled moments during the day and codes them according to a predetermined schedule.

Two limitations of work sampling are that it calls for a full-time clerical staff, and it cannot be used in an agency with a small number of employees in the categories to be studied. Questions have also been raised about its practicality in an institution, where joint personnel may be away from their offices for large blocks of time.

Work sampling is considered by many time study authorities to be a superior method of time study in a good number of situations. It is less demanding on participating professional staff than the log method (to be described next). Work samples can be drawn randomly and within known ranges of statistical error. The system is flexible and, once installed, new information can be handled with little additional effort.

This manual will not repeat the work sampling instructions described in the *Time and Cost Analysis Series.*

Log Method Time Study

In this method, the joint personnel record their work during the day by units of time. Although such daily logs can be kept on either a continuous basis or on a sampling basis, persons experienced in time studies usually avoid the continuous log. It has been found that staff interest lags if records must be kept every day, and even the quality of data becomes questionable over a period of time.

A sampling basis is generally preferred for children's institutions. The agency selects a sample of days that best fits its overall program, staffing patterns, and cost analysis needs.

Two methods for sampling are:

—Four 1-week periods. The agency selects 28 days, divided into four full weeks, as representative of the institution's operations. A suggested schedule would be:

1st week . . . 4th week of the first quarter
2nd week . . . 2nd week of the second quarter
3rd week . . . 3rd week of the third quarter
4th week . . . 1st week of the fourth quarter

—Random sample of time study days. This method—recommended for this cost analysis system—provides for a random sample of 42 days within a one-year period, resulting in an average of 30 work days for each staff member on a 5-day work week. Units of time during each day consist of 15-minute intervals. Guidelines for selecting a random sample of time study days are contained in the yellow pages starting on page 79 at the end of this appendix.

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[2] Family Service Association of America, "Time and Cost Analysis Series—Vol. I: Preparing for a Time Analysis; Vol. II, Selecting Services, Service Elements, and Activities; and Vol. III: Detailed Instructions for a Time Analysis"; (New York: FSAA, December, 1968).

Another basis for selecting a sample of time study days is presented in the *Agency Accounting Manual.*[3]

Conducting Log Method Time Study

When the participants in the log study method are identified, a decision is made as to whether four 1-week time periods, or a random sample of time study days, will be used. A time study supervisor is then designated.

The general procedure is for the time study supervisor to:

- ►Prepare materials
- ►Orient staff and conduct a pilot study
- ►Conduct the time study
- ►Process the time study results

Prepare Materials

The time study supervisor prepares a summary worksheet for each participant in the time study. He also prepares a schedule of dates for time study days, and enters these days on each summary worksheet. In this way, the summary worksheets also serve as control sheets of the day logs handed in by the participants in the study.

An illustration of a summary worksheet appears on the blue page 69.

The time study days should be kept confidential from all participants so that the day or week of the time study comes as a surprise.

A kit for each participant in the time study is prepared, containing:

—Instructions for log method time study
—Worker's day log
—Illustration of a completed day log

Illustrations of each of these kit enclosures are contained in the blue sheets starting on page 71. They may be adapted, photocopied or multilithed for each participant, Day logs, in particular, can be reproduced by an office services firm.

The kit is distributed to the staff prior to the orientation session.

Meanwhile, the time study supervisor, the administrator, and other key staff, such as a social work supervisor, review all instructions so they can answer questions from the participants.

Orient the Staff and Conduct a Pilot Time Study

The way in which personnel are oriented to the time study will have a major effect on staff interest and reliability of data.

It is recommended that the administrator introduce the time study, emphasizing not only the important role the time study will play in the cost analysis, but also emphasizing the fact that the study will not be used to assess an individual's work.

A pilot study of two or more days is an essential part of orienting the staff. Essentially, it is a "dry run" for the formal study.

Each person who is to keep time records participates in the pilot study, filling in his day logs on the pilot study days.

Pilot study days should not run consecutively. A gap between pilot study days will give the time study supervisor an opportunity to review the completed day logs, spot errors and the need for any personal or group reinstruction, and answer questions raised by the staff before the next pilot day begins.

The pilot study gives the time study supervisor a chance to get his daily routine established. Generally, this routine consists of:

. . . distributing the day logs the night before the time study day;

. . . collecting the completed day logs the evening of, or the morning after, the time study day;

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[3] Child Welfare League of America, Inc.; Family Service Association of America; and Travelers Aid Association of America; "Agency Accounting Manual," (New York: CWLA, 1969).

. . . editing the day logs for correct entries and completeness;

. . . getting more information, if needed; and

. . . entering information on each individual's summary worksheet.

Upon completion of the pilot study, the time study supervisor and participating staff should review and make any revisions required.

Conduct the Time Study

The time study supervisor puts the correct headings on each day log, and distributes the day logs either the day before, or the morning of, each time study day. He may break down the non-institution headings in the function code box at the top of the day log, according to any desired categories.

The staff person completes his day log, including coding of each 15-minute interval to function and/or non-institution activity. Day logs are turned in daily. The time study supervisor edits each day log, checking for completeness and accuracy.

At quarterly intervals during the year, the administrator or some other designated staff member reviews some of the day logs. This is especially important for catching errors in coding. Follow-up with individual staff members, or further group orientation, may be needed.

Indeed, some plan for rebriefing participating staff during the year is recommended. Experience indicates that, over a period of time, participants tend to forget instructions—especially if the four 1-week periods are used and several months elapse between each sample time study week.

Process Results

The time study supervisor takes each edited time study log and, using the space marked "For office use only," notes the total number of 15-minute units in each function or non-institution activity. These totals are transferred to the summary worksheet. The summary worksheet may be made up on any columnar paper.

An illustration of a Time Study Worksheet: Summary of Individual Day Logs, appears on the blue sheet on page 69; it is basic to understanding the instructions for posting, totaling, and computing time study information.

After each time study day, post the information from each edited day log to the individual's summary worksheet. For each time study date, in the first column under "Total Periods," enter the total number of 15-minute periods spent, in both institution functions and non-institution activities. Then, enter in the appropriate columns the number of periods spent in each institution function and in non-institution activities. If necessary, the non-institution activities can be further broken down. (The percent distribution for time spent in each institution function or non-institution activity is computed only at the end of the fiscal year before the payroll distribution is made for joint personnel.)

If no time study was made on any time study day, the word "none" is entered in the "Total Periods" column for that date. Some notation is made as to the reason—holiday, illness, vacation—that day was missed. Account for each time study date.

If a time study participant leaves the institution service during the fiscal period, or joins the institution service after the beginning of the time study period, a line is drawn across the summary worksheet indicating that the person came or left either before the first entry or after the last entry.

If more than one page is required for the summary worksheet, the time study supervisor indicates each page number and the total number of pages used for each individual.

At the end of the time study period, the summary worksheet for each individual is totalled and cross-footed.

The summary worksheet is completed at the end of the fiscal period when the time study supervisor computes the percent distribution of total periods in each column. Percents are calculated to at least two (2) decimal places and this information is forwarded to the bookkeeper who will use the percents to distribute salary costs to the appropriate functions and non-institution activities.

Time study distributions for a number of individuals may be combined into groups listed on the worksheets; simply combine the whole number of periods in each column before making the percent computation. Never add percents.

Special Problems

Individual errors in completing day logs are best handled with brief individual instructions made in person.

When participants miss some days of the random day time study, there is no makeup of these days. Neither is there any makeup for up to 25% missed days in the four 1-week sample. However, if a participant misses a full week in that sample, the time study supervisor selects a week in the same quarter, or as soon after as possible, for a time study makeup.

When new staff is employed, some person (usually the bookkeeper) should be assigned responsibility for notifying the time study supervisor. A new participant in the time study is oriented individually and given one or two pilot days to complete his training. Start new staff in the time study as soon as possible; end that time study at the same time as the rest of the staff.

When participants work in a different location from the time study supervisor, some arrangements are made for the distribution and collection of day logs. One method is for each study participant to have a supply of day logs on hand, which he can use after being alerted by telephone by the time study supervisor. The completed day logs can be mailed, or handled through inter-office messenger.

Time study participants, wherever they are located, do time studies on each selected time study day on which they do any work. The fact they were not physically at the institution on that day does not affect their status as time study participants.

The summary worksheets for staff who leave during the year will be treated in the same way as all other time records.

In the multi-service agency, time reported for 01. Management and General, 02. Fund Raising, and 03. Plant Maintenance are always for the entire agency and not for only the institution service. This should be noted by the time study supervisor when transmitting time information to the bookkeeper.

The multi-service agency may also code non-institution activities on the day log to obtain the time spent by joint personnel in these activities.

2

Time Study Worksheet page 1 of 1 pages

SUMMARY OF INDIVIDUAL DAY LOG FORMS

Agency: Any Children's Service **Year Ended:** 12/31/67

NAME: Claude Jones **Title:** Administrator

		Functions and Non-Institution Activities							
Time Study Dates	Total 15 Minute Periods	01	02	13	F				
Jan 6	49	22	20	5	2				
Jan 16									
Jan 31									
Feb 5									
Feb 8									
Dec 28									
Total Periods	960	614	200	96	50				
%	100.00	63.96	20.83	10.00	5.21				

The blank summary worksheet on next page can be reproduced by agency.

Time Study Worksheet page ______ of ______ pages

SUMMARY OF INDIVIDUAL DAY LOG FORMS

Agency:

Year Ended:

NAME:

Title:

		Functions and Non-Institution Activities							
Time Study Dates	Total 15 Minute Periods								
Total Periods									
%									

ILLUSTRATION OF TIME STUDY KIT

• • • • • • • • • • • • •

Instructions for Log Method Time Study

EITHER THE DAY BEFORE, or on each time study day, you will receive a day log with your identifying information filled in by the time study supervisor. Check the heading in the morning.

Make brief notes on the day log, recording in your own words, how and with whom, you spent your working time, in 15-minute units of time.

At the end of each time study day, code each 15-minute entry according to function or non-institution activity.

If you did more than one kind of work during the 15 minutes, choose the code representing what you did most of the time. The 15-minute units CANNOT be split.

Work performed before 8:00 a.m. or after 7:00 p.m. is entered at the end of the day log under "Out of Hours." In the appropriate column, record the number of 15-minute units (4 to the hour) you worked in each function or in a non-institution activity.

The day log is filled in on each time study day on which you work, whether or not you are physically at the institution on that day.

CHECK the day log at the end of the day to see that you have checked every 15-minute unit you have worked.

Hand the day log to the time study supervisor at the end of each time study day, or at the start of your next workday.

Time to be Included

Any time spent on work that is defined by the agency's personnel policies as part of the job, is working time, and generally is to be allocated to a function or a non-institution activity.

A lunch hour is included only if you spent it on duty with the children, or in other agency work; then the time is charged to the function you worked in at the time. For example, an administrator might charge this to 01. Management and General.

Coffee breaks are included and charged to 01. Management and General.

Work performed on any day you are not regularly scheduled to work is included only if you put in two or more consecutive hours of work on that day.

"On-call" time is included only if you were actually called to work during that time.

Time spent at meetings, conferences, and classes is included as working time when the agency personnel practices endorse this type of activity and when attendance is during normal working hours or merits equivalent time off.

Include travel time to meetings, conferences, and classes only if the travel takes place during the normal working day. This time is charged to a non-institution activity or to the appropriate function.

Religious personnel include the time spent in prayer and other religious duties only if they are assigned responsibilities for institution children as a part of these religious duties.

Leave the code column BLANK for any 15-minute unit you were off duty or on personal business.

**Editor's note: These instructions can be adapted by agency for time study kit.*

Definition of Non-Institution Activities

These activities include time directed toward operations not included in the definition of an institution; some examples are profit-oriented operations, maintaining children in colleges, or other program services of a multi-service agency. Additional codes may be established for such non-institution activities.

Time spent in activities that benefit both the institution service and non-institution activities are divided according to the staff member's best estimate. If there is no basis for estimating this division, charge one-half the time to the appropriate institution function and one-half to the non-institution activity.

Definition of Functions

As a general rule, record time in a function when you do work commonly associated with that function. The names of most functions are self-explanatory. If you have questions about how to record time, check with the time study supervisor.

01. Management and General

All administrative work for the institution service—such as the management, staff direction and supervision, and community relationships of the total agency. It also includes time spent representing authority in dealing with the children. In addition, it includes work that covers more than one function and cannot be allocated between them.

In a multi-service agency, report Management and General time for the entire agency.

Special instructions for administrators: The administrator usually reports his time in 01. Management and General, or 02. Fund Raising. The only time an administrator reports in another function is when he actually performs work in a function for which he is professionally trained. An example would be an administrator who is a trained social worker and provides casework or directly supervises caseworkers; he would report some time in 13. Social Work.

02. Fund Raising

Any activity whose primary purpose is directed toward raising funds for the agency—preparing or conducting fund raising campaigns or events; soliciting bequests, foundation grants, etc.; participating in federated campaigns which benefit the agency.

In a multi-service agency, report Fund Raising time for the entire agency.

03. Plant Maintenance

Time spent purchasing supplies, hiring and supervising maintenance staff, planning building improvements or upkeep by staff assigned to this function.

In a multi-service agency, report Plant Maintenance time for the entire agency.

04. Meals

Time spent buying food, planning menus, hiring and instructing kitchen staff, equipping kitchen or dining room for staff assigned to this function.

05. Clothing and Personal Needs

Time related to purchasing and maintaining clothing and linens, including laundry, dry cleaning, and related staff responsibilities. Include time spent on personal grooming of the children, for example, haircuts and shoe repair.

06. Residential Care Staff

Time directed toward hiring and supervising houseparents, including handling special problems and substituting during absences for staff assigned to this function.

07. Medical-Dental

Activities related to medical and dental health, work with this staff, taking children to the doctor, first aid.

08. General Education

Time related to activities which parallel those in a general public or parochial school. (This differs from 14. Special Education, which is for children unable to attend regular schools.)

09. Recreation

Time related to organized free time activities at which attendance is voluntary, work with recreation staff, arranging recreation events, camping.

10. Religion

Work with, or as, agency religious staff; arranging religious activities. Do not include personal religious participation unless it is an assigned part of your job involving the children.

11. Psychiatry

Time related to providing psychiatric care or consultation; work with this staff.

12. Psychology

Time related to providing psychological care or consultation; work with this staff.

13. Social Work

Time related to providing social work care or consultation; work with this staff.

14. Special Education

Work related to educational activities provided by the agency for children unable to attend a general public or parochial school. Also include work in a regular program of special or remedial instruction (tutors) provided on a supplementary basis for children attending public schools.

15. Special Institution Functions

Use this function if the agency has defined any Special Institution function for the purpose of the cost analysis. [Editor's Note: Usually an agency would show the name(s) of the Special Institution function and define it for the time study participants. If there is more than one Special Institution function, additional code numbers, starting with "16," may be used.]

WORKER'S DAY LOG

Date: January 6, 1967
Worker: Claude Jones
Title: Administrator *
Edited By: MP

FUNCTION CODES

01. Management and General
02. Fund Raising
03. Plant Maintenance
04. Meals
05. Clothing and Personal Needs
06. Residential Care Staff
07. Medical-Dental
08. General Education
09. Recreation
10. Religion
11. Psychiatry
12. Psychology
13. Social Work
14. Special Education
15. Special Institution Functions

Non-Institution

F = Farm

TIME	CODE	
8:00- 8:15		
8:15- 8:30	01	Arrived - opened mail - greeted people
8:30- 8:45	13*	Conference with Sally Brown (Caseworker)
8:45- 9:00	13*	Runaway of Jane Doe
9:00- 9:15	13*	Lead on hiring another social worker
9:15- 9:30	13*	Plan agenda for supervisory agenda for social workers
9:30- 9:45	13*	Plan social worker role in handling Roger W.
9:45-10:00	01	Routine work at desk
10:00-10:15	01	Coffee in staff room - Chatted with staff
10:15-10:30	01	Phone call - Dr. Henry - arrange flu shots
10:30-10:45	01	" " Jim Holt (Bd. Pres.) Planning agenda
10:45-11:00	01	" " " " " "
11:00-11:15	01	Conference with time study supervisor
11:15-11:30	01	Conference with George Haltz - Supervisor of Houseparents
11:30-11:45	01	↓
11:45-12:00	01	↓
12:00-12:15	01	Travel to Community Council luncheon
12:15-12:30	01	Luncheon meeting - on community survey
12:30-12:45	01	↓
12:45- 1:00	01	↓

This illustration, plus the following blank day log, can be reproduced by agency for time study kit.

DAY LOG (continued)

TIME	CODE	
1:00-1:15	01	luncheon meeting
1:15-1:30	01	Travel back to Institution
1:30-1:45	01	Dictation
1:45-2:00	01	↓
2:00-2:15	F	Conference with Joe Jacobs - farmer
2:15-2:30	F	↓
2:30-2:45	01	Phone call from psychiatrist on runaway
2:45-3:00	01	Routine desk work
3:00-3:15	01	Emergency call from Cook - need helpers to
3:15-3:30	01	cover vacations next week - called employment agency
3:30-3:45		Left institution to go home
3:45-4:00		
4:00-4:15		
4:15-4:30		
4:30-4:45		↓
4:45-5:00	02	Left home - traveled 53 miles to
5:00-5:15	02	member church for dinner and speech
5:15-5:30	02	to raise funds
5:30-5:45	02	
5:45-6:00	02	
6:00-6:15	02	
6:15-6:30	02	
6:30-6:45	02	
6:45-7:00	02	↓
Out of Hours Specify Time and Work	02 →	Got home at 9:45 P.M. 11 periods

For Office Use Only F-2 02-20
01-22 *13-5

* Administrator is a trained social worker and uses code 13, for social work supervision.

WORKER'S DAY LOG

Date: ....

Worker: ....

Title: ....

Edited By: ....

FUNCTION CODES

01. Management and General
02. Fund Raising
03. Plant Maintenance
04. Meals
05. Clothing and Personal Needs
06. Residential Care Staff
07. Medical-Dental
08. General Education
09. Recreation
10. Religion
11. Psychiatry
12. Psychology
13. Social Work
14. Special Education
15. Special Institution Functions

Non-Institution

TIME	CODE	
8:00- 8:15		
8:15- 8:30		
8:30- 8:45		
8:45- 9:00		
9:00- 9:15		
9:15- 9:30		
9:30- 9:45		
9:45-10:00		
10:00-10:15		
10:15-10:30		
10:30-10:45		
10:45-11:00		
11:00-11:15		
11:15-11:30		
11:30-11:45		
11:45-12:00		
12:00-12:15		
12:15-12:30		
12:30-12:45		
12:45- 1:00		

Guidelines for SELECTING RANDOM TIME STUDY DAYS

THIS RANDOM SAMPLE of time study days is a chance selection of days which:

- —Contains approximately 11.5 percent, or 42 days, of the 365 days of the year;
- —Provides good scattering throughout the entire year;
- —Contains equal numbers of each day of the week;
- —Provides some element of surprise to discourage easy forecasting of time study days by time study participants.

Because most people employed in the agency work a 5-day week—even if they work weekends and have weekdays off—a full-time person will usually have his time recorded for only about 30 of the 42 days, the same number obtained for personnel in organizations that operate only 5 days a week.

Handling Holidays This sample is intended for agencies operating 365 days a year; holidays, therefore, are included in the sample. Presumably, some personnel will be working on each holiday. Day logs are obtained for all personnel working on the day. Normally, no substitute time study days are designated for staff away from the institution on a holiday.

Vacations and Illness Each employee will undoubtedly be on vacation, or out on sick leave, on some of the time study days. No time study substitution for such a day is generally recommended. The random sample of time study days is large enough to permit omission of a few time study days for each person and still obtain at least 25 or more working days for each participant.

What To Tell Staff Staff are informed that approximately 40 days of the year, including holidays and weekends, have been selected as random time study days. They are also specifically advised that sometimes there will be more than one time study day in the same week . . . but there will also be periods of two or more weeks when there is no time study day. Also, point out that the sample is large enough to account for the fact that most persons work only a 5-day week, and that personnel will sometimes be on vacation or sick leave on time study days. No time study substitutions are generally made in these cases.

Selecting Random Days Four series of numbered calendar days are reproduced on page 80. The agency may select Series I, II, III, or IV to apply to any time study starting at any point in a year. To select the random time study days, select the days of the year that fall on the dates indicated in any one of the series. Most desk calendars indicate which days these are.

Beginning Time Study Period Series I through IV are basically designed for a calendar year time study. If, for example, an agency had decided to apply Series I to the calendar year 1967, the first random time study day would have been the *6th* day of that year (Friday, January 6). The next was *16* (Monday, January 16) . . . the next was *31* (Tuesday, January 31) . . . and the next was *36* (Sunday, February 5).

If the agency elects to use a different time study period, it may begin at any one of the quarters of the year. Select as sample days the indicated sample days that appear as close as possible after the 91st, 182nd, or 273rd days of the year. For example, to apply Series II to a time study starting in the second quarter of 1967, the first sample day would have been Monday, April 3, which is the 93rd day of the year and the first indicated sample day coming after the 91st day (the beginning of the second quarter).

Carry over into the next year, if necessary, going back to the beginning of the series.

For example, in Series II, go back to the 8th day of the year.

If the time study is to begin at any other point in the year, it must begin on the same day of the week as January 1 occurred in that year. This assures a sampling of all the days of the week. Select the first sample day after that day on which January 1 occurred. For example, in 1967, January 1 fell on a Sunday; any 1967 time study that did not start at the beginning of the calendar year or at the beginning of one of the yearly quarters, had to begin on a Sunday. For example, if the agency wanted to begin approximately February 1, 1967, the beginning of the time study would fall on Sunday, February 5—the 36th day of the year. Applying Series III to this time study, the first sample day was Saturday, February 11—the 42nd day of the year.

Four Series of Random Calendar Days for a 7-Day Week Operation

Series I

6	50	93	137	179	231	259	297	350
16	61	101	149	189	232	264	309	362
31	70	111	153	197	235	279	320	
36	82	113	159	216	241	282	324	
39	91	130	171	220	254	293	333	

Series II

8	61	93	138	181	226	262	311	352
23	66	98	142	193	238	279	329	363
42	74	99	144	203	242	289	330	
50	84	115	157	211	257	291	334	
55	88	125	166	220	260	307	348	

Series III

2	42	94	130	170	221	266	315	356
10	53	112	147	185	230	272	318	360
12	62	114	148	193	234	282	324	
22	75	116	153	197	246	289	333	
33	85	125	159	215	259	299	344	

Series IV

6	38	99	150	189	234	273	303	353
11	43	119	155	200	239	278	315	365
21	58	132	164	210	254	290	323	
23	65	144	170	216	263	298	334	
26	82	145	180	221	265	300	342	

APPENDIX C
MULTI-SERVICE AGENCY

• • • • • • • • • • • •

THIS APPENDIX contains special instructions needed by a multi-service agency to organize and install the cost analysis system. It also contains the instructions needed to draw up the multi-service agency's equivalent of worksheets 1 and 2 . . . referred to as worksheet MS-1 and worksheet MS-2.

The appendix is based on the *Agency Accounting Manual*[1] designed to implement the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.*[2] A multi-service agency not on the *Standards* will need an accountant to adapt its bookkeeping system to the instructions in this appendix under "Initiate Recordkeeping." The agency's staff can then proceed to install the cost analysis system.

Assign Staff Responsibility

The administrator names the staff responsible for each step of the cost analysis; he may reserve certain duties for himself. The typical cost analysis staff includes the agency's bookkeeper or accountant, the person asked to serve as time study supervisor (if a time study is to be conducted), and the individual currently responsible for collecting the agency's statistical information. If an outside accountant is used routinely to prepare financial statements, or to supervise the agency's bookkeeper, that accountant should review the fiscal records when recordkeeping is being initiated.

Review Agency Operations

The cost analysis staff reviews the agency operations and describes them within the designated framework and in the language required by this cost analysis. Sources of information for this initial review are: Reports prepared for other purposes; budget information; public relations and fund raising materials; as well as administrative and general staff knowledge.

Guidelines for the initial review of agency operations are contained in the yellow sheets starting on page 5.

Based on this review, a staff document is prepared that identifies the next steps to be taken to provide the data needed for the cost analysis.

(The guidelines in the "Initial Review of Agency Operations" also provide much of the format for the interpretation of the cost analysis exhibits to be compiled at the end of the year. An illustration of a year end interpretation is included in the blue sheets starting on page 46. This interpretation can then serve as the basis for the agency review at the start of each subsequent fiscal year. Some agencies have found that preparing this kind of interpretation even at the beginning of the initial year promotes communication among members of the cost analysis staff.)

Initiate Recordkeeping

The initial review of a multi-service agency operating on the *Standards* will reveal that the agency is already gathering most of the data needed for the cost analysis. Other multi-service agencies preparing for the cost analysis may find they have to start keeping some of the records required by the *Standards.*

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[1] Child Welfare League of America, Inc.; Family Service Association of America; and Travelers Aid Association of America; "Agency Accounting Manual," (New York: CWLA, 1969).

[2] National Social Welfare Assembly and National Health Council, "Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations," [New York: The Assembly (currently known as National Assembly for Social Policy and Development), 1964].

For example, the *Standards* require:

Accrual Reporting—recording all significant expenditures and revenue in the fiscal period to which they relate, rather than in the period they are paid or received.

Reporting Expenditures by Service — identifying object expense items by program services and supporting services. A program service is any health or welfare service (such as the institution service) operated by a welfare agency. A supporting service is one that benefits a program service; the *Standards* identifies two supporting services: Management and General; and Fund Raising.

"All-inclusive" Summary of Financial Activities—disclosing, in a single statement, all financial support and revenue (regardless of source, description, or ultimate use), and all expenditures (regardless of the fund from which they are spent). Thus, expenditures from special funds, as well as from general funds, will be charged to the appropriate program services and supporting services.

Uniform Method for Classifying Transactions—recording and reporting financial transactions within an established framework. Working within this framework is essential to achieve maximum uniformity when reporting to the public.

Fund Accounting—maintaining distinct accountability over an agency's resources (such as general funds, capital funds, etc.) according to the limitations on the use of these resources.

Additional Adjustments for Cost Analysis

Essentially, cost analysis begins where program service accounting (as in the *Standards*) ends . . . program service accounting enables a multi-service agency to break down expenditures among program services and supporting services, while a cost analysis system goes on to break down the expenditures within a particular program service. In this manual, the cost of the program service being determined is the institution service; this cost is then broken down into the 15 functions considered significant components of residential group care for children.

Assessing and Adjusting Records

This cost analysis system requires that all financial transactions be recorded in a basic system of accounting books that conform with appropriate accounting standards. These books usually include a general ledger, cash receipt and disbursement journal, and possibly a payroll journal. One test of conformity with appropriate accounting standards is acceptance and application of the *Standards.*

Coding Expenses and Revenue

The work at the end of the year can be substantially lightened—and the accuracy of the results improved—if, during the year, agency expenses and revenue are identified by code. This is accomplished by assigning codes for each program service and each of the 15 institution functions. These codes can be recorded in either the agency's books of accounts or in memorandum accounts set up for this purpose.

The *Agency Accounting Manual* suggests coding each program service with a letter of the alphabet.

Appendix D: Definition of Institution Functions and Staff Assignments codes each function with a numeral.

For example, food purchased for the institution (in the basic account for "supplies") could be coded for C-04. "C" could be designated to represent the institution service; according to this manual, "04" represents the Meals function in the institution service.

Agencies on the *Standards* should note that, in the *Standards*, the term "functions" refers to program services and supporting services. In this cost analysis, however, "functions" refers to the component parts of one program service—in this case, the institution service.

Any program service, other than the institution service, may be listed as a non-institution activity, when appropriate.

Allocating Personnel Time

Establish some method of time allocation for personnel regularly spending time in more than one program service or supporting service, or in more than one function within the institution service. This could include volunteers and parent organization personnel who spend a varying amount of time in the service of the institution.

This may be quite simple. The *Agency Accounting Manual* outlines methods for distributing the time of joint personnel to the appropriate program services, such as an "adoption service" or "institution service." In Appendix B: Time Allocation Methods, this cost analysis manual gives guidelines for distributing joint personnel expenses to the functions within the institution service.

Thus, a social worker who divides his working time between an "adoption service" and the "institution service," would have his salary divided appropriately between these two program services. Then, within the institution service, the social worker's salary would usually be charged to 13. the Social Work function.

Some situations may require that time records be regularly kept or that a time study be initiated. (Allocation of payroll expenses is illustrated on worksheet MS-2 on blue page 95. See also Appendix B: Time Allocation Methods.)

Identifying Parent Organization Expenditures

If goods and services are rendered by a parent organization, maintain some form of recordkeeping during the year so that a statement of applied parent organization expenditures is available at year end. For example, an institution may receive both administrative and social work services from its parent organization. After the agency determines the institution function being served, the bookkeeper and the time study supervisor work with the appropriate units of the parent organization (in this case, possibly a local religious federation of charities) to establish a mutually acceptable form of recordkeeping.

(Guidelines for determining parent organization expenses are contained in the yellow page 25 at the end of Section III.)

Reporting Imputed Costs

Keep a record of donated goods or services—particularly of time spent and tasks performed by volunteers in the institution. This record need not include minor or intermittent donations. Also, establish a system for determining the commercial value of donations.

Agencies on the *Standards* should remember that, for *Standards* reporting: (a) Only those donated goods are imputed if the agency would otherwise have had to purchase the items; and (b) Donated services are not generally reported. For this cost analysis system, however, ALL donated goods and all donated SERVICES are imputed costs, if the donations are used.

(Guidelines for reporting the imputed value of donations are contained in the yellow sheets starting on page 31 at the end of section IV.)

Recording Child Days of Care

Record actual child days of care, including admissions and discharges, throughout the fiscal year. These are defined in the glossary.

Estimating Replacement Value or Actual Cost of Plant and Equipment

Using insurance policies, appraisal reports, and other documents, estimate the replacement value of the plant and equipment.

This estimate will not have to be made if the agency has consistently recorded the actual cost of plant and equipment, and established a plan for their replacement.

Also estimate the physical space used for program services and supporting services. Agencies on the *Standards* will have determined the square footage used when distributing expenses for "occupancy."

(Also see section II, Worksheet 3: Analysis of Plant and Equipment, starting on page 18.)

Preliminary MS- Worksheet

(Multi-Service Agency)

Before worksheet MS-1 can be drawn up, entries are made on a preliminary MS-worksheet, showing how much money was spent for program services and supporting services. The preliminary MS-worksheet follows the format of a required *Standards* exhibit titled "Analysis of Functional Expenditures." Therefore, agencies on the *Standards* will already have compiled most of the information required for this preliminary MS-worksheet. Other multi-service agencies will have to prepare the entire preliminary MS-worksheet.

Agencies on the *Standards* should note that, in the *Standards,* the term "functions" refers to program services and supporting services. In this cost analysis, however, "functions" refers to the component parts of one program service—in this case, of the institution service.

The *Agency Accounting Manual* outlines methods for identifying and allocating expenditures to each of the program services and supporting services, while allocation of salary and fringe benefits is summarized on page 94 of this manual's instructions to worksheet MS-2.

The information on the preliminary MS-worksheet also serves as a base for redistributing expenditures incurred by the two supporting services, to the program services they benefit. Expenditures may be rounded to the nearest dollar. Drop to the next highest dollar for 49 cents and under; raise to the next highest dollar for 50 cents and over.

An illustration of a completed preliminary MS-worksheet appears on the blue page 87; it is basic to understanding the instructions.

Entering Expenditures

Enter a line-by-line listing of the agency's object expense accounts in column 1.

Enter the accrued expenditures for each of these items in column 2.

Allocate these expenditures among the program services in column 3, and supporting services in column 4. (See the *Agency Accounting Manual* for guides to allocation.)

Total the expenditures for all the services in column 2 . . . for each program service in column 3 . . . and for each supporting service in column 4.

The results now represent the total expenditures of the multi-service agency, presented in conformity with the *Standards.* These totals will provide the base for redistributing Management and General expenditures among the program services.

Redistributing Management and General Expenditures

(Not illustrated on worksheet.) Add the totals of the program services in column 3; the result is the total program service expenditures. Compute the percentage each program bears to the total program service expenditures. Use the percents to compute the amount of Management and General expenditures to be charged to each program service.

EXAMPLE

Program Services	Program Service Expenditures		%	Distribution of Management & General Expenditures
Adoption	$ 35,800	=	16	$11,986
Social Services, etc.	29,790	=	13	9,739
Institution	134,450	=	59	44,200
Research	28,300	=	12	8,990
Totals	$228,340		100	$74,915

(Illustrated on preliminary MS-worksheet.) Redistribute the breakdown of Management and General expenditures among the program services in column 3. Deduct the total in column 4.

Redistributing Fund Raising Expenditures

Fund Raising expenditures are redistributed according to the ratio of net expenditures for each program service because, theoretically, Fund Raising expenses are incurred to finance the costs of program services not covered by directly applied revenue. This reduction of expenditures is for the purpose of redistributing Fund Raising only. Otherwise, full costs are reported in the cost analysis.

(Not illustrated on worksheet.) To compute net expenditure, distribute program service fees and other directly related income shown in the agency's books, among the appropriate program services. Subtract this revenue from the total expenditures for each program service. The result is the net expenditure for each program service, as well as the total net expenditures.

EXAMPLE

Program Services	Expenditures		Revenue		Net Expenditures
Adoption	$ 35,800	less	$ 10,025	=	$ 25,775
Social Services, etc.	29,790	less	6,965	=	22,825
Institution	134,450	less	82,250	=	52,200
Research	28,300	less	5,000	=	23,300
Totals	$228,340	less	$104,240	=	$124,100

(Illustrated on worksheet.) Compute the percentage of each net expenditure to the total net expenditures for program services. Use the percents to estimate the breakdown of Fund Raising expenditures to be charged to each program service. *Multi-service agencies on the* Standards *should note they apply Fund Raising expenditures for "general support"; they do not redistribute any expenditures for "building funds campaign."*

EXAMPLE

Program Services	Net Expenditures		%	Distribution of Fund Raising Expenditures
Adoption	$ 25,775	=	21	$ 8,150
Social Services, etc.	22,825	=	18	6,985
Institution	52,200	=	42	16,300
Research	23,300	=	19	7,375
Totals	$124,100		100	$38,810

(Illustrated on worksheet.) In column 3, redistribute the breakdown of Fund Raising expenditures among the program services. In column 4, deduct the total Fund Raising expenditures.

Completing the Worksheet

In column 3, add the redistribution of Management and General, and Fund Raising expenditures to the total of each program service expenditure. Deduct totals in column 4.

The last line represents the total agency expenditures after redistribution.

The figures for the institution service in column 3 now represent the actual agency expenditures of this program service. These expenditures will be entered on worksheet MS-1 where they will be broken down according to the 15 functions.

St. Ann's Child Care Center
Preliminary Worksheet for Multi-Service Agency
(Follows format of "Analysis of Functional Expenditures"
in the "Standards")
Year ended December 31, 1967

PRELIMINARY MS-WORKSHEET

①	②	③				④	
		PROGRAM SERVICES				SUPPORTING SERVICES	
Object Expense Accounts	TOTAL	ADOPTION SERVICE (A)	SOCIAL SERVICES FOR FAMILIES, CHILDREN AND INDIVIDUALS UNDER STRESS (B)	INSTITUTION SERVICE (C)	RESEARCH (D)	MANAGEMENT AND GENERAL	FUND RAISING
Salaries	174000	19000	18000	66500	3000	48000	19500
Employee health and retirement benefits	10570	1140	1080	4120	180	2880	1170
Payroll taxes	6830	760	720	2530	120	1920	780
Professional fees and contract service payments	11200	3500	700	4000	-	3000	-
Supplies	61700	800	800	28500	25000	5600	1000
Telephone and telegraph	6350	2805	1945	400	-	750	450
Postage and shipping	6050	250	350	100	-	600	4750
Occupancy	18900	3500	3000	8500	-	3500	400
Outside printing, artwork, etc.	10300	650	750	-	-	1900	7000
Local transportation	6090	1370	1070	3000	-	500	150
Conferences, conventions, meetings, and major trips	6765	400	-	-	-	3365	3000
Subscriptions and reference publications	810	175	175	-	-	-	460
Specific assistance to individuals	8600	1100	1000	6500	-	-	-
Equipment and other fixed assets	12900	350	-	10300	-	2250	-
Miscellaneous	1000	-	200	-	-	650	150
Total expenditures a/	342065	35800	29790	134450	28300	74915	38810
Redistribution of Management and General	-	11986	9739	44200	8990	(74915)	-
" " Fund Raising	-	8150	6985	16300	7375	-	(38810)
Total agency expenditures after redistribution	342065	55936	46514	194950	44665	-	-

To WORKSHEET MS-1

a/ To this line, expenditures are reported in conformity with the "Standards".

Editor's Note: This worksheet has been reduced to fit manual.

Worksheet MS-1: Analysis of Agency Expenses

(Multi-Service Agency)

This is the basic worksheet used by the multi-service agency for its cost analysis.

An illustration of a completed worksheet MS-1 appears on the blue page 91; it is basic to understanding the instructions.

Column 1—Institution Expenditures per Analysis of Functional Expenditures

Enter a line-by-line listing of the agency's object accounts as shown by account title on the preliminary MS-worksheet. Also enter redistribution of expenses of supporting services.

Column 2—Totals

Enter the dollar amounts for the institution service from column 3 of the preliminary MS-worksheet. These expenditures, normally representing all expenditures from general funds, may be rounded to the nearest dollar; do not enter cents. Except for rounding error, these totals are to agree with the agency's trial balance of expenses.

Column 3—Payroll Expenses

Enter all amounts listed in column 2 as having been spent for salaries; wages; and such fringe benefits as employee health and retirement benefits. Do not enter fees; they are considered payments to independent contractors and carry no fringe benefits. Check carefully for any payroll records that may reflect staff salaries and wages listed as non-payroll expenditures under "sundry labor" and "miscellaneous."

Column 4—Institution Functions

Distribute all non-payroll expenditures, including fees, to the appropriate institution functions.

Note that 03. Plant Maintenance, includes expenditures for "occupancy" (defined by the *Standards* to include rent, mortgage interest, utilities, insurance, and other related costs), as well as minor expenditures for building and ground supplies, and repairs and replacements to equipment.

This entire step is simplified if, at the beginning of the fiscal period, current accounting methods were adjusted or memorandum accounts established to code institution expenses according to the 15 functions; this is especially true if any of the expenditures represent charges against more than one function.

In general, if the expenditure divided among functions is relatively small—less than one percent of the total expenditure—and would require extensive analysis for breakdown, simply enter the expenditure in the most appropriate function column. If the amount is relatively large, the bookkeeper uses records or invoices to estimate its appropriate distribution among the functions.

Total Agency Expenditures After Redistribution

Enter the sum of each column. These figures represent the total expenditures after redistributing expenditures for supporting services. Before proceeding to adjustments, cross-foot and balance these figures.

Adjustments

Adjusting entries are made for: (a) Expenditures charged to the institution in the agency records that are NOT applicable to the cost analysis; and (b) Expenditures not charged to the institution in the agency records that ARE applicable to the cost analysis. All agencies will have to make at least the first adjustment.

Payroll Distribution (Illustrated on worksheet.) After worksheet MS-2 is completed, use the code numbers and totals for each function listed in column 6 of that worksheet, to distribute these total payroll expenses among the appropriate 15 functions on worksheet MS-1.

Major Plant and Equipment Repairs and Replacements Not Recognized in Cost Analysis (Illustrated on worksheet.) Deduct from both the total expenditure in column 2, and from 03. Plant Maintenance in column 4, any expenditure in excess of the dollar limitation imposed in this cost analysis. In brief, if the cost of any item of acquisition, repair, or replacement to buildings or structures is $500 or more . . . or the cost of any item of repair or replacement to equipment is $150 or more, the cost of each item is considered a major expenditure.

This must be deducted from the cost of any institution function to which it has been charged. (See also "Plant and equipment" in the glossary for the way this cost analysis allows a yearly allowance for use of items incurring such major expenditures. Agencies on the *Standards* should note that the *Standards* does not set a dollar limitation on major plant and equipment expenditures.)

Other Adjustments (Not illustrated on worksheet.)

In addition, multi-service agencies use this checklist to determine if the following adjustments have to be made:

☐ Does the agency have any charges for depreciation of asset replacement included in institution expenditures? If so, they have to be deducted from the total expenditures after redistribution in column 2, and from 03. Plant Maintenance in column 4. (The illustration assumes no depreciation has been charged in the books of accounts.)

☐ Does the agency use products from its own profit-oriented farm? Then, the commercial value of the produce is estimated . . . this amount is added to the total expenditure after redistribution in column 2 . . . and added to cost of the 04. Meals function in column 4.

☐ Do records of special funds contain any expenditure for institution purposes not already entered? If so, each expenditure is now added to the appropriate column.

For St. Ann's Child Care Center, which is hypothetically on the *Standards*, expenditures from the special fund were included earlier on the preliminary MS-worksheet.

☐ Is there any expenditure now charged to the institution, which should be charged to some other program service or other non-institution activity? If so, subtract each one from both the total expenditures after redistribution and from the function(s) to which it was charged.

☐ Do appropriate amounts have to be transferred between functions? For example, if the agency is using products from a program-oriented farm, the estimated commercial value of the produce used by the institution is deducted from 15. Special Institution function, and added to 04. Meals. Both functions are in column 4.

☐ Does any agency expenditure include charges from the parent organization for payroll or non-payroll expenditures? If so, each one is subtracted from both the total expenditures after redistribution in column 2, and from the appropriate function. These parent organization expenditures will be distributed to the appropriate functions on worksheet 4.

Completing the Worksheet

The worksheet is complete after any necessary adjustments have been made, and the columns are cross-footed and balanced.

The final line—Total Agency Expenditures—represents all institution expenditures derived from the agency's books of accounts that will be applied to the cost analysis. The information on this worksheet will be posted to Exhibit B and D.

St. Ann's Child Care Center
Analysis of Agency Expenses
for Institution
Year ended December 31, 1967

	①	②	③	←		
	Institution Expenditures Per Analysis of Functional Expenditures	Totals	Payroll Expenses	Management and General 01	Fund Raising 02	Plant Maintenance 03
	Salaries	66500	66500			
	Employee health and retirement benefits	4120	4120			
	Payroll taxes	2530	2530			
	Professional fees and contract service payments	4000				
	Supplies	28500				4500
	Telephone and telegraph	400				
	Postage and shipping	100				
	Occupancy	8500				8500
	Local transportation	3000				
	Specific assistance to individuals	6500				
	Equipment and other fixed assets	10300				7800
	Total agency expenditures before redistribution	134450	73150	-	-	20800
	Redistribution - Management and General	44200		44200		
	" - Fund Raising	16300			16300	
	Total agency expenditures after redistribution	194950	73150	44200	16300	20800
	Adjustments:					
1.	Payroll distribution (Worksheet MS-2)	-	(73150)			4400
2.	Major plant and equipment repairs and replacements not recognized in the cost analysis	(4000)				(4000)
	Total agency expenditures	190950	-	44200	16300	21200

Editor's Note: This worksheet ha

WORKSHEET - MS-1

④ →

Meals 04	Clothing - Personal Needs 05	Residential Care Staff 06	Medical - Dental 07	Recreation 09	Psychiatry 11	Psychology 12	Social Work 13
			1000		1000	1000	1000
24000							400
							100
					500	500	2000
1000	5500						
				2500			
25000	5500	-	1000	2500	1500	1500	3500
25000	5500	-	1000	2500	1500	1500	3500
12100		39270		6820			10560
37100	5500	39270	1000	9320	1500	1500	14060

sheet has been reduced to fit manual.

Worksheet MS-2: Analysis of Agency Payroll Expenses

(Multi-Service Agency)

On this worksheet, the total payroll expenses shown in column 3 of worksheet MS-1 are distributed to program services, supporting services, and institution functions. (See Appendix D: Definition of Institution Functions and Staff Assignments, for an explanation and listing of typical expense items and staff positions distributed to the appropriate institution functions. See also the *Agency Accounting Manual* for methods of coding program services.)

An agency on the *Standards* will already have distributed expenses to program services and supporting services when it prepared the *Standards* exhibit on which the preliminary MS-worksheet is based.

An illustration of a completed worksheet MS-2 appears on the blue page 95; it is basic to understanding the instructions.

Personnel listed on this worksheet from the agency's payroll records are those employed during the 12-month fiscal period of the cost analysis, including those employed for only part of the year. (The payroll records should have been adjusted when recordkeeping was initiated to include the function code for each person.)

This listing of personnel does NOT include any persons paid directly by the parent organization. Their salaries, wages, and fringe benefits will be entered on worksheet 4.

This listing of personnel does NOT include any fee personnel; these fees were shown as direct charges to the appropriate functions on worksheet MS-1.

Column 1—Name

Enter the name of the individual. If several individuals work for the agency and share the same service and function code, they may be grouped together and the word "group" or their job description entered, along with the number of individuals in the group. Names of persons who are regularly assigned to more than one function, or to both the institution service and another program service, may be entered on a separate line for each classification.

Column 2—Personnel Staff Title

Enter the staff title as it appears on the payroll record.

Column 3—Service and Function Code

Enter the appropriate program service code letter for each employee or group of employees. For institution employees only, also enter function code numbers. If a salary is being distributed according to a time study or time allocation method, enter an appropriate abbreviation in this column. (Note that the salaries of janitorial or maintenance staff are charged to 03. Plant Maintenance.)

Column 4—Total Gross Salary in Fiscal Year

Enter the gross salaries and wages paid to each employee or group. Total. When fringe benefits are later added, the total must equal the total payroll expenses in column 3 of worksheet MS-1.

Column 5—Distributing Salaries to Program Services and Supporting Services

The bases generally used to distribute gross salary and wages of each individual or group to the appropriate institution functions, are:

- ►Direct charge. Many salaries are charged directly to a program service, supporting service, or functions within the institution service, according to the codes assigned in column 3.
- ►Time allocation methods. Salaries of personnel regularly assigned to more than one program service, supporting service, and/or institution function may be distributed on the basis of a time study or other time records such as attendance sheets, work assignments,

and duty rosters. (See Appendix B: Time Allocation Methods.) Decisions on appropriate allocation methods must be made at the beginning of the year, or at the time the individual is employed. At the end of the year, information needed for determining allocation of payroll expenses is obtained from the time study supervisor. The salaries of the janitorial and maintenance staffs (coded for 03. Plant Maintenance) are distributed among the program services and supporting services on the same basis as "occupancy" charges. This distribution is usually based on the proportion of square footage of space used by each service in relation to the entire space used by the multi-service agency.

Allocating Fringe Benefits

First, determine the percentage value of fringe benefits to the total payroll.

EXAMPLE

Employee health & retirement benefits (taken from preliminary MS-worksheet)...	$ 10,570	
Payroll taxes (taken from preliminary MS-worksheet) ..	6,830	
Total fringe benefits	$ 17,400	
divided by	————	= 10%
Total salaries and wages—(taken from preliminary MS-worksheet)	$174,000	

Add the total fringe benefits to column 4. The grand total now contains all the agency's payroll expenses.

Using the computed percentage (10% in the illustration), determine fringe benefits for each program service and supporting service. Distribute in column 5, and then add to each total in this column. The grand total in column 5 represents the distribution of payroll expenses among the agency's program services and supporting services.

Column 6—Institution Function Code

Enter the code number for all institution functions.

Column 7—Distributing Institution Payroll Expenses

Next to each code number, list any salaries and wages that were expended for the function, continuing to add the computed fringe benefit (in the illustration, this is 10%) to each item. (Note that the payroll expense for Goode is split evenly between two functions: 06. Residential Care Staff, and 09. Recreation; this houseparent spends half his time supervising sports activities.)

Completing the Worksheet

Total the payroll expenses for each function in column 7. These totals will be posted as the first adjustment on worksheet MS-1. The grand total of column 7 must also agree with the grand total of payroll expenses for the institution service in column 5.

The multi-service agency is now ready to continue with Worksheet 3: Analysis of Plant and Equipment starting on page 18.

St. Ann's Child Care Center
Analysis of Agency Payroll Expenses
Year ended December 31, 1967

① EMPLOYEE NAME OR GROUP	② TITLE	③ SERVICE AND FUNCTION CODE	④ GROSS SALARY	⑤ PROGRAM SERVICES ADOPTION SERVICE (A)	SOCIAL SERVICES FOR FAMILIES, CHILDREN AND INDIVIDUALS UNDER STRESS (B)	INSTITUTION SERVICE (C)
Multi-service employees:						
Baker	Exec. Director	TS	16000	1000	500	-
Allwork	Asst. Exec. Dir	TS	12000	-	2000	-
Thompson	Secretary	ALLOC	6000	500	1000	-
Anders	Casework Dir.	TS (13)	10660	4500	5000	-
Social Workers (3)	-	TS (13)	21400	5300	6500	9600
Clerk Typists (2)	-	ALLOC.	8400	2400	2000	-
Redding	Receptionist	ALLOC.	4500	-	-	-
Ace	Janitor	ALLOC. (03)	4000	1000	1000	1000
Single-service employees:						
Morrison	Researcher	D -	2040	-	-	-
Warren	Bookkeeper	(M+G)	6800	-	-	-
Fletcher	Clerk Typist	A	4300	4300	-	-
Brewster	Fund Raising	(F.R.)	11500	-	-	-
Famous	Secretary	(F.R.)	5500	-	-	-
Mavery	Ass't Bookkeeper	(M+G)	5000	-	-	-
House Parents (8)	-	C (06)	33700	-	-	33700
Cooks (2)	-	C (04)	7400	-	-	7400
Group Worker (1½)	Recreation	C (09)	4200	-	-	4200
Maids (1½)		C (03)	3000	-	-	3000
Kitchen Help (2)		C (04)	3600	-	-	3600
Goode	House Par. - Recreation	C (06)(09)	4000	-	-	4000
Total Salaries and Wages			174000	19000	18000	66500
Fringe Benefits (10%)			17400	1900	1800	6650
Distribution of Total Payroll Expenditures			191400	20900	19800	73150

Editor's Note: This worksheet ha

1

WORKSHEET MS-2

S UTION E	⑤ Research (D)	Supporting Services Management and General	Fund Raising	⑥ Institution Function Code		⑦ Institution Payroll Expenses (Salary plus Fringe Ben.)
				01		-
	-	12500	2000	02		-
	960	9040	-			
	-	4500	-	03	4400	1000 100 3000 300
	-	1160	-			
00	-	-	-			
	-	4000	-	04	12100	7400 740 3600 360
	-	4000	500			
00	-	1000	-	05		-
				06	39270	33700 3370 2000 200
	2040	-	-	07		-
	-	6800	-			
	-	-	-	09	6820	4200 420 2000 200
	-	-	11500			
	-	-	5500	11		-
	-	5000	-	12		-
00	-	-	-			
00	-	-	-	13	10560	9600 960
00	-	-	-			
00	-	-	-			73150
00	-	-	-			TRANSFER TO WORKSHEET MS-1
00	-	-	-			
00	3000	48000	19500			
50	300	4800	1950			
50	3300	52800	21450			

ksheet has been reduced to fit manual.

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APPENDIX D

DEFINITIONS OF INSTITUTION FUNCTIONS AND STAFF ASSIGNMENTS

IN THIS COST ANALYSIS, institution payroll and non-payroll expenses are classified and reported by the 15 functions defined as significant components of institution care for children. Each function is assigned a code number. The definitions of functions and their code numbers are used to:

- ► Review agency operations and identify functions performed;
- ► Classify personnel and assign codes to the payroll records;
- ► Determine the functions to which the object line items are to be charged.

A person is always classified according to the function or functions in which he works and not the profession in which he has been trained. Thus, although the administrator of the agency may be trained as a social worker, he is, nevertheless, classified as 01. Management and General. For some positions, the job title may identify only the nature of the work but not the function. For example, a "clerk-typist" is a job title, but the person might be assigned to 13. Social Work, or 01. Management and General, or even to both functions. The descriptions of some jobs, however, can immediately identify the function to which the payroll costs of the individual are to be charged. For example, a janitor is obviously charged to 03. Plant Maintenance.

The following list of 15 functions, including definitions, typical staff positions, and typical expense items, will also help the bookkeeper, organizing for the cost analysis at the beginning of the fiscal year, to code expenses according to function. This is not intended as a chart of accounts, since the agency may use its own chart of accounts, or that of a national group.

Repairs and replacements of plant and equipment are subject to a dollar limitation. (See the glossary under "Repairs and replacements," and "Plant and equipment" for definitions and dollar limitation.)

01. Management and General

Management and General activities are directed toward management, direction, and community relationships of the total agency. They include planning; organizing; staffing and personnel administration; directing and coordinating various staff and functions; reporting, budgeting, and fiscal management; and relating to the community and other organizations.

In a children's agency, the Management and General function also represents authority in dealings with the children; this includes setting limits, disciplining children, and sitting at the head of the table at meals.

Typical staff positions: Administrator, assistant administrators, secretaries, typists, bookkeepers, receptionist, personnel officer, purchasing agents.

Typical expense items: Salaries and wages of the above personnel; office supplies and services; organization dues; conference and travel; automobile expenses and taxi fares; bonding and insurance premiums; minor repairs and replacements of office furniture, fixtures, and equipment; accounting; auditing; budgeting; legal services; surveys; and studies.

In a multi-service agency, Management and General expenses are first accumulated for the total agency, and then redistributed to the agency's program services, including the

institution service. (See instructions starting on page 84 of preliminary MS worksheet.)

02. Fund Raising

As defined by the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations,* Fund Raising includes time spent and expenses incurred when the primary purpose is an appeal for financial support of the agency . . . or is primarily part of, or in preparation for, an organized fund raising effort.

The *Standards* recommends the following criteria for separating fund raising from "public education" and "public relations": Content; distribution; intended end result.

Fund Raising may include:

—Solicitation in person or by mail;

—Publicizing fund raising campaigns;

—Participation in local, federated, and regional fund raising campaigns;

—Participating in fund raising special events;

—Solicitation of bequests, foundation grants, and other special gifts;

—Training sessions for volunteers or staff in preparation for solicitation of funds.

Typical staff positions: Professional staff, office staff, copy writers.

Typical expense items: Salaries and wages of the above personnel; fees to photographers, printers, commercial artists, fund raising consultants or firms; postage and mail handling; rental of public address systems, projectors, tape recorders; purchase of mailing lists; rental of halls or assembly places; automobile expenses and taxi fares; stationery and printing; telephone and telegraph.

In a multi-service agency, Fund Raising expenses are first accumulated for the total agency, and then redistributed to the agency's program services, including the institution service. (See page 85 of instructions to preliminary MS-worksheet.)

03. Plant Maintenance

This function includes expenditures for "occupancy" (defined by the *Standards* to include rent, mortgage interest, utilities, insurance, and other related costs), as well as expenditures for building and ground supplies; and repairs and replacements to furniture, fixtures, and equipment such as heating plant and boilers. It includes time spent purchasing supplies, hiring, and supervising maintenance staff; planning building improvements or upkeep WHEN spent by the staff assigned to this function.

Typical staff positions: Maids, janitors, gardeners, housekeepers, plant operators, handymen, mechanics, watchmen.

Typical expense items: Salaries and wages of the above personnel; rent; heating fuel; air conditioning; utilities; snow removal; window washing; mortgage interest; insurance premiums for property and casualty coverage; janitorial supplies such as shovels, rakes, brooms, disinfectants, light bulbs; minor repairs and replacements to building structures, and building and grounds equipment.

04. Meals

This function includes activities related to the purchase, preparation, and serving of meals, including arrangements for storage, transportation, or disposal of food stuff, and costs of items prepared or used for consumption away from the institution, such as school lunches or picnics. It includes time spent by staff when assigned to buying food, planning menus, hiring and instructing kitchen staff, equipping kitchen or dining room.

Typical staff positions: Cooks and helpers, waiters, dieticians, nutritionists, food buyers, dining room staff.

Typical expense items: Salaries and wages of the above personnel, kitchenware and utensils, dish towels and linens, food purchased, monies for meals away from the institution (for example, school lunches), supplies, rentals of food storage lockers, fees to dieticians and nutritionists, licenses, chest x-rays for food handlers, and minor repairs and replacements to kitchen furniture, fixtures, and equipment.

05. Clothing and Personal Needs

This function includes activities related to purchase and maintenance of clothing, bedding, household linens; expenses of personal grooming such as haircuts, beauty parlor, shoe repair; expenses of laundry and dry cleaning performed off-grounds; children's allowances; and miscellaneous expenses incurred by off-grounds schooling.

Typical staff positions: Laundresses, seamstresses, tailors, shoemakers, clothing supervisors, barbers, beauticians.

Typical expense items: Salaries and wages of the above personnel; laundry and dry cleaning of clothing, draperies, rugs, and furniture; personal grooming expenses; barber shop; beauty parlor; shoe repair; clothing and wearing apparel; bedding; linens; supplies, minor repairs and replacement of clothing and laundry equipment; books; miscellaneous school supplies for children attending off-grounds schools; children's general allowances; and allowances for school supplies, personal needs, bus tokens. (School tuition is charged to 08. General Education.)

06. Residential Care Staff

This function includes activities by workers responsible for the daily care and supervision of a group of children living together, and the individual children in the group. In some agencies, this function may include some time spent in supervising recreation, doing laundry, or preparing meals.

Typical staff positions: Residential child-care staff supervisors, houseparents and assistants, cottage parents, group parents, counselors, group counselors.

Typical expense items: Salaries and wages of the above personnel. No non-payroll expenses are allocated to the costs of this function.

07. Medical-Dental

This function includes the activities directed toward maintaining physical and dental health of the children. It includes medical, dental, and nursing activities; hospital expenses; and transporting children for health care.

Typical staff positions: Physicians, dentists, nurses, infirmary employees.

Typical expense items: Salaries, wages, and fees of the above personnel and other professionals; reading materials for hearing and speech therapy; medical and accident insurance premiums; drugs and medicines; transportation to, and expenses of, clinics and hospitals; inoculations; routine x-rays; supplies, minor repairs, and replacement of medical and dental furniture, fixtures, and equipment.

08. General Education

This function includes activities of the agency directed toward providing—usually on the grounds —that level of education comparable to the general education available to all children in the community in public or parochial schools. (See 05. Clothing and Personal Needs, for miscellaneous expenses related to general education off-grounds.)

Typical staff positions: Teachers, teacher aides, office and clerical staff.

Typical expense items: If the school is conducted by the agency, include salaries and wages of the above personnel; school supplies; textbooks; educational materials; cost of special activities and events sponsored by the school; transportation to and from education activities; minor repairs and replacements of education furniture, fixtures, and equipment. (If the school is attended off-grounds, include any tuition or transportation expenses.)

09. Recreation

This function includes agency work directed toward organized free-time activities at which attendance is voluntary. It includes camping experiences and payments to other organizations, as well as provision for activities and facilities provided directly by the agency.

Typical staff positions: Recreation director, camp staff, recreation aides, recreation workers.

Typical expense items: Salaries, wages, and fees of the above personnel; phonograph and sheet music; arts and crafts materials; scout and club dues; tickets to recreation and cultural events; transportation costs incurred in attending such events; costs of voluntary lessons or classes in dancing, music, art, woodworking, etc.; camp fees; minor repairs and replacement of recreation furniture, fixtures, and equipment.

10. Religion

This function includes agency activities geared to provide the children with religious training.

Typical staff positions: Chaplain, chapel staff, choir director, organist.

Typical expense items: Salaries, wages, or fees of the above personnel; books, articles, fees, and supplies required in religious school classroom; and minor repairs and replacements of furniture, fixtures, and equipment used in religious activities.

11. Psychiatry

This function includes psychiatric services to children. This may include individual or group therapy, consultation with other staff, diagnostic interviews with children, in-service staff training, and work with parents.

Typical staff positions: Psychiatrists, office staff.

Typical expense items: Salaries, wages, and fees of above personnel; or fees paid by the institution for psychiatric services; office expenses and supplies; transportation incurred in obtaining the service; and minor repairs and replacement of furniture, fixtures, and equipment used in the function.

12. Psychology

This function includes activities to provide psychological services to children. This may include therapy with children individually or in groups, consultation with other staff, administering and interpreting psychological tests, and work with parents.

Typical staff positions: Psychologists, office staff.

Typical expense items: Salaries, wages, and fees of above personnel; transportation; clinic fees; supplies and materials for therapy and testing; and minor repairs and replacement of furniture, fixtures, and equipment used in the function.

13. Social Work

This function includes social work services provided by the institution. These may include intake responsibilities, counseling with children, individual or group therapy, consultation with other staff, work with other organizations in the community, work with the child after he leaves the institution, work with the parents, and time spent at clinics and hospitals.

Typical staff positions: Case workers, social group workers, social work supervisors, and office staff.

Typical expense items: Salaries, wages, and fees of above personnel; supplies; travel expenses; materials for staff training; conference expenses; and minor repairs and replacements of furniture, fixtures, and equipment used in the function.

14. Special Education

This function includes activities that provide education for children unable to participate in general education because of learning difficulties or because they create classroom disturbances.

It includes help on a part-time group basis as well as special tutoring—individual assistance to children, provided on a supplementary basis—to help them participate in either general education or special education.

Typical staff positions: Special education teachers, education therapists, tutors, office staff.

Typical expense items: Salaries, wages, and fees of above personnel; supplies; textbooks; blackboards; transportation; expenses of special events or activities related to the function; and minor repairs and replacements to special education furniture, fixtures, and equipment.

15. Special Institution Functions

This function is used only if the agency provides a defined function which benefits the children in the institution, but which does not fit in any of the other functions. Each agency must identify its own special, unique, or innovative functions in this phase of its cost analysis. An agency which has more than one special institution function may use additional code identification beginning with "16" to identify each one.

Not included are any functions that can be properly classified in one of the other regular functions. Neither is this function designed for functions without staff assigned, whether full-time or part-time; it is not to be used for odd-hour activities of staff attached to other functions.

Profit-oriented or other operations primarily geared to produce income are NOT to be classified under this function.

Illustrations of Special Institution functions:

- —A program-oriented farm or workshop that is operated exclusively for the benefit of the children in the institution;
- —Research directed to the institution service that is conducted by a full-time or part-time special research staff. Research, however, by regular staff members that is incidental to their other duties, is NOT a Special Institution function;
- —Innovative, demonstration, or unique institution operations to which staff are specifically assigned. Examples are: Group therapy, trained social group work with disturbed children, trained pastoral counseling, vocational training for resident children.

Typical staff positions: Researchers, farmers, workshop instructors, occupational therapists, physical therapists, vocational guidance counselors, or other staff working in a specialized function that is specifically defined.

Typical expense items: Salaries, wages, and fees of above personnel; supplies and equipment; transportation costs; workshop materials; farm costs; and minor repairs and replacements of furniture, fixtures, and equipment used in this function.

GLOSSARY

This glossary defines terms and concepts developed and used in this manual for analyzing costs in a residential group care facility for children; the definitions do not necessarily apply to other accounting procedures. The glossary, therefore, should serve as a constant source of reference for the language in which this cost analysis system is framed.

Accrual basis—an accounting base for recording all significant expenditures and revenue in the fiscal period to which they relate, rather than in period they are paid or received. Thus, accrual accounting takes into consideration any amounts payable or receivable at the beginning or end of a fiscal period.

Actual expenses—See "Expenses, actual."

Aftercare—period beginning with the day of physical discharge from the institution and ending with the institution's withdrawal from the case. This period is limited to children who return to their own homes (with parents, relatives, or "on their own"). It does not include children who are discharged from the institution to a foster home or other non-institution activity.

"Agency Accounting Manual"—a publication of the Child Welfare League of America, Inc.; Family Service Association of America; and Travelers Aid Association of America; designed to implement the *Standards* for voluntary family and child welfare agencies. (See also "Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations.")

Agency expenses—See "Expenses, agency."

Agency, multi-service—a voluntary agency providing more than one program service. These program services might include: An adoption service; a foster family care service; a service to unmarried mothers; a research operation; and an institution service.

Allocation methods—an equitable basis for distributing costs among institution functions, and between institution functions and non-institution activities. Allocation generally refers to procedures based on percent of effort directed toward a particular objective, such as percent of time or percent of space used. Distribution generally refers to routine procedures taken to charge expenses to an objective, such as a function. Thus, one distributes object line expenses to the various functions. (See also "Expenses, joint.")

Cash basis—an accounting system where expenses are recorded only when paid. Such records can be adjusted to report expenses on an accrual basis.

Child-care year—See "Cost per child-care year."

Child days of care—a day of care provided in the institution, or in a facility operated as part of the institution, such as an off-grounds cottage or summer camp. A day in which the child sleeps in an institution facility is a child day of care, even though meals are eaten elsewhere. Count the day of admission; do not count the day of discharge.

Use your local definitions or regulations for counting absences; if there are no local definitions or regulations, a child is not counted absent unless he is away for more than 7 days.

The number of child days of care in the institution on any given day is equal to the number of children in residence on that day. The number of children served during a fiscal period is the sum of child days for all the days of that period.

Clinical staff—social workers, psychologists, psychiatrists, and special education teachers.

Commercial value—the fair market value of donated goods or services. This is the cost an agency would have incurred if goods and services were not donated.

Cost analysis—a process for determining the costs incurred in rendering services, products, or activities. This manual's cost analysis system includes:

—A clear framework of the components—or 15 institution functions—that make up an institution service;

—Procedures for allocating personnel time spent in more than one function;

—Procedures for collecting statistics and information on institution functions and non-institution activities;

—A processing plan combining the fiscal and statistical data with the time allocation data; this plan includes procedures for allocating direct and administrative costs according to a reasonable and uniform procedure.

Cost per child-day—the total cost of the institution service divided by the number of child days of care. Cost per child-day may be determined for the total institution service and for each of the 15 functions.

Cost per child-year—cost per child-day multiplied by 365. This is the cost of providing an institution service to one child for one year.

Costs, associated—expenses incurred by a parent organization when providing personnel services for an institution. These expenses include fringe benefits, administrative and professional supervision, proportionate occupancy costs, and clerical and office costs. Associated costs of 30% of gross salaries of personnel working directly for the institution are generally considered a conservative estimate of associated costs. If the parent organization has a cost system in effect, the amount it has determined to be its associated costs should be used.

Costs, fixed—costs seldom affected directly by volume of service. One example of a fixed cost is the expense of maintaining the plant; this expense is more affected by heat and light, ground, age of building, and insurance rates than by the number of children served.

Costs, imputed—See "Imputed costs of donated goods and services."

Costs, marginal—the cost of adding any additional unit of service, taking into consideration fixed costs and/or the higher costs of producing the first units of service.

Costs, variable—costs that tend to vary directly and proportionately with the volume of service. Food, for example, is a variable since it is influenced by the number of meals served.

Depreciation—an accounting term describing the reduction in value of fixed assets over the period of time the assets are used. This cost analysis provides for a yearly use allowance instead of depreciation. See also "Plant and equipment."

Dollar limitation—See "Plant and equipment"; "Repairs and replacements."

Expenses, actual—expenses incurred by the agency and the parent organization specifically to render an institution service.

Expenses, agency—all expenses incurred by the agency in providing an institution service or other program services. This includes any expenses from special funds. All institution expenses are distributed among the 15 functions. Not included as institution expenses are: Major repairs and replacements; depreciation; profit-oriented operations; and expenses for an activity that does not meet the definition of an institution service.

Expenses, joint—expenses benefitting both the institution service and non-institution activities—for example, plant maintenance expenses. Some method is determined for allocating expenses between institution functions and non-institution activities. (See also "Allocation methods"; and Appendix B: Time Allocation Methods.)

Expenses, major—See "Plant and equipment"; "Repairs and replacements."

Expenses, minor—See "Plant and equipment"; "Repairs and replacements."

Expenses, parent organization—expenses incurred by an activity that meets the following criteria:

—The activity is a regularly defined institution function; generally included is any activity the institution would normally provide if it operated independently of the parent organization;

—The activity is used in the institution service and is provided on a regular and routine basis;

—If the agency is a government institution, the activity is provided directly by an identical level of government; and

—The cost of providing the activity is an actual expense and is reflected on the books of accounts of the parent organization.

Farm operation—all activities directed toward the operation of a farm by the agency. To properly classify a farm operation, a decision is made as to whether it is program-oriented or profit-oriented.

Fixed costs—See "Costs, fixed."

Footage—the amount of physical space owned or rented by the agency, usually estimated in terms of "square feet."

Fringe benefits—amounts paid by an agency under its own or other employees' health and retirement plans, health benefit plans, social security taxes, workmen's compensation insurance premiums, etc.

Function—a complex of operations that makes up one of the 15 components of an institution service. An example of a function is Social Work: It includes social workers; and the clerical operations, transportation, and office supplies needed in their work. Identified by a code number, the following functions are listed and defined in Appendix C: Definitions of Institution Functions and Staff Assignments:

01. Management and General
02. Fund Raising
03. Plant Maintenance
04. Meals
05. Clothing and Personal Needs
06. Residential Care Staff
07. Medical-Dental
08. General Education
09. Recreation
10. Religion
11. Psychiatry
12. Psychology
13. Social Work
14. Special Education
15. Special Institution functions

Agencies on the *Standards* should note that the term "functions" in the *Standards* refers to program services and supporting services. In this cost analysis system, however, the term "functions" refers to the component parts of one program service—in this case, of the institution service.

Government source—a government unit—city, county, State, or the Federal—that contributes, on a regular basis, some goods or services to an institution operated under the auspices of a voluntary agency. (See also "Imputed costs of donated goods and services.")

Imputed costs of donated goods and services—the difference between what the institution pays and the commercial rate for donated goods and services the agency receives either free or at substantially less than the commercial rate. To be included as an imputed cost, a donation should meet the following criteria:

—It is usable by the agency for its institution service;

—It has a measurable commercial value;

—It is furnished directly to the agency and under its administrative control and is not routinely provided all children as a community service. Thus, public schools, tax-supported transportation, or scouting and recreation facilities are not included as imputed costs; and

—It is an item that would be included in the cost analysis if it had been an actual expense to the agency. A donated repair or replacement of agency plant and equipment is subject to the same dollar limitation as a repair or replacement paid for by the agency.

—Generally, imputed personnel services fall into three classes:

  Unpaid volunteers who do institution work;

  Religious personnel who work in the agency and receive a stipend, substantially less than the commercial rate of pay, or no pay;

  Persons who do institution work but are paid by an outside organization other than the parent organization. A usual example is a special education teacher paid by a local board of education, or a physician paid through Medicaid.

Agencies on the *Standards* should remember that, for *Standards* reporting: (a) Only those donated goods are imputed if the agency would otherwise have had to purchase the items; and (b) Donated services are not generally imputed. For this cost analysis system, however, ALL donated goods and all donated SERVICES are imputed costs, if the donations are used.

Institution-alone—an agency providing only the institution service—and no other program service. When other activities are engaged in by an institution-alone, such as a profit-oriented operation, they are referred to as "non-institution activities."

Institution service—twenty-four hour residential group care operated by a government or voluntary agency to provide care and treatment for children away from their own homes. The cost of the institution service includes expenses of children currently living in the institution . . . being considered for admission . . . or receiving aftercare in their own homes after discharge. It also includes work by the agency staff with the families of the children.

Intake—the period of institution service beginning when a request for admission reaches the agency, and ending when the child is physically admitted to the institution . . . is admitted to another agency service . . . referred to another organization . . . or is rejected. Work with the child, his family, and cooperating agencies may be conducted during this period.

Joint expenses—See "Expenses, joint."

Joint personnel—See "Personnel, joint."

Major expenses—See "Plant and equipment"; "Repairs and replacements."

Marginal costs—See "Costs, marginal."

Memorandum account—a supplemental record maintained by an agency to facilitate identification of expenses or revenue. An example of a memorandum account is a record of expenses of supplies used for Plant Maintenance versus the Recreation function.

Minor expenses—See "Plant and equipment"; "Repairs and replacements."

Multi-service agency—See "Agency, multi-service."

Non-institution activity—an activity that does not meet the definition of an "institution service." This includes other program services, profit-oriented operations, and such special activities as maintaining a child in college or in another facility.

Occupancy—defined by the *Standards* to include expenditures for rent, mortgage interest, utilities, insurance, and other related costs. In this cost analysis, occupancy costs are assigned to 03. Plant Maintenance. (See also Appendix D: Definitions of Institution Functions and Staff Assignments.)

Parent organization—an organization affiliated with a children's institution in a continuous relationship through which the parent organization contributes to any of the 15 functions of the institution service. In addition, the parent organization must have an official relationship with the agency. Thus, a parent organization cannot be an association that sets professional standards, or a United Fund or welfare council where the relationship is characterized by "membership" or "dues" payment.

Typical parent organizations for voluntary agencies include federations of charities such as Catholic Charities, Lutheran Social Service, or Jewish Federation.

For a government institution, a parent organization is a supervisory or administrative government body operating at the identical level of the institution. An example of a government parent organization is a State welfare department that operates a State children's institution.

Parent organization expenses—See "Expenses, parent organization."

Personnel, joint—a person specifically assigned to work on a regular basis in more than one institution function, or in both the institution service and non-institution activities. (See also Appendix B: Time Allocation Methods.)

Plant and equipment—items the agency carries on its books as capital or fixed assets, even if these assets are recorded at some nominal value such as $1.00, as may be the case with donations.

Major acquisitions, repairs, or replacements of plant and equipment increase the value of these assets; they are NOT included, therefore, as institution expenses. Instead, a yearly use allowance is made for these expenses.

Minor acquisitions, repairs, or replacements of plant and equipment ARE included as agency expenses, and are distributed among the 15 functions and/or program services.

Agencies on the *Standards* should note that the *Standards* does not set specific dollar limitation on major and minor expenses, while this cost analysis sets the following guidelines:

—To qualify as a major acquisition, repair, or replacement to building or structures, a single item must cost $500 or more.

—To qualify as a major acquisition, repair, or replacement to equipment, a single item must cost $150 or more.

The yearly use allowance for major plant and equipment expenses represents the portion of past expenses invested in plant and equipment that continues to support current agency operations.

The rates suggested below are considered a reasonable basis for calculating a yearly use allowance. They are applied to actual costs or to replacement values.

Replacement value is the current market value of the plant (excluding the land) and equipment, without deducting for depreciation, obsolescence, or deterioration; it, therefore, represents the current cost of reproducing an item.

If the agency has developed its own plan of depreciation or asset replacement, it is recommended that it apply its own rates. If it does not have its own plan, the agency should apply the following percents to its actual costs or replacement values:

Institution buildings and structures	2%
Camp buildings and structures	3%
Furniture, fixtures, and equipment	10%
Motor vehicles	20%

The system applied by the agency must be used consistently from year to year.

Profit-oriented operation—an operation whose primary purpose is to gain income for the agency, even if it includes the secondary gain of providing work experience for resident children (such as sorting clothes in a laundry or selling flowers in a flower shop) . . . and even if it is unsuccessful and sustains a loss. A profit-oriented operation is NOT included as an institution function. It is a non-institution activity.

If an agency has a profit-oriented operation, all related expenses—both direct and indirect—are to be separated from the expenses of the institution service. Usually, special accounts or a separate book of accounts are required. If not, these expenses are separated out of the accounts at the end of the fiscal year.

Program-oriented operation—an operation in which the primary purpose is to contribute to the child's experience in the institution—even though some income may be produced. The costs of such an operation are charged to the appropriate institution function. One example is a program-oriented agency farm that would be charged to: 15. Special Institution function. Another program-oriented operation might be vocational training (also included under: 15. Special Institution function) if its clear objective is to provide special work experience geared to the diagnosed needs of the children.

Program service—a complex of operations directed toward a major objective of a health or welfare agency. Examples of program services in the child welfare field include: Foster family service; adoption service; services to unmarried mothers; a research operation; and an institution. In this cost analysis, an institution service is composed of 15 functions. Any program service other than the institution service, is listed as a non-institution activity, when appropriate.

Religious personnel—members of religious orders who work in the agency and receive stipends, substantially less than the commercial rate of pay, or no pay.

Repairs and replacements—expenses for: Keeping plant and equipment in safe and working order; and replacing existing, or purchasing new, plant and equipment. Included are such unusual and non-recurring expenses as renovation, improvement, or replacement of existing plant or equipment that is obsolete or unserviceable.

The dollar limitation applies to all repairs and replacements.

--A major repair or replacement of a building or structure is one that costs $500 or more per item; such a major expense might include mortar repair, roofing, or other structural repairs that usually meet this dollar limitation and, therefore, are not included as institution expenses.

—A major repair or replacement of equipment is one that costs $150 or more per item. An example of such a major expense is a new motor in a bus—it is not included as an institution expense.

It should be noted that the dollar limitation applies to each of the four classes of plant and equipment, or to like items within each class. For example, the expense of repairing one cottage might be only $300, but the total expense for repairing four cottages might come to $1200. This total expense would make the repair of cottages a major expense since it falls within one class of repairs. (See also "Plant and equipment.")

Replacement value—See "Plant and equipment."

Rounding—to express money amounts in whole dollars. Raise to the next dollar for 50 cents or more; drop to the lower dollar for 49 cents or less.

"Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations"—a publication of the National Health Council and the National Social Welfare Assembly (currently known as National Assembly for Social Policy and Development) that sets standards for uniform financial reporting so that financial statements contain all significant facts and are adequately informative and not misleading. It presents standard accounting classifications, and forms of financial statements for voluntary health and welfare agencies to use in annual reports to the public.

The cost analysis system in this manual is compatible with the *Standards.*

Supporting service—an activity operated by a multi-service agency to support its program services. According to both the *Standards* and this manual, there are two supporting services: Management and General, and Fund Raising.

Time allocation methods—procedures to allocate costs of personnel to more than one function or to function(s) and non-institution activities. (See also Appendix B: Time Allocation Methods; and Appendix C: Multi-Service Agency.)

In brief, there are three methods:

—Full-time assignments. Salary of a person normally engaged in a single institution function or non-activity is charged directly to that function, even if he is occasionally engaged in another institution function or non-institution activity.

—Fixed percent allocation. An analysis is made of work assignments or duty rosters—for example, of an employee who is assigned regular hours to more than one function or non-institution activity.

—Time study. Because of irregular patterns of staff assignment or special questions about use of time, the agency conducts a time study of the ways the staff direct their efforts.

Use allowance—See "Plant and equipment."

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Volunteer—a person who works in a regular and routine pattern in some institution function but is neither an employee of a parent organization nor paid a salary or fee by the institution. A volunteer participates without legal obligation and receives no compensation of value such as promotion, money, or fulfillment of degree requirements. Thus, students are not included as volunteers when they are part of a work-study arrangement in which they gain curriculum credit. Religious personnel are not included as volunteers. Children who are residents in the institution but perform some work are not included as volunteers.

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Each starred (*) item is fully defined in the glossary.

App. = appendix
Ex. = exhibit
Ilsn = illustration
Int = introduction
Gu = guidelines
MS = multi-service
PMS = preliminary multi-service
WS = worksheet

I, II, III, IV, V = section numbers

A colon (:) after any of the symbols is followed by the page number on which the reference appears in the manual.

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About The Authors . . .

Robert Elkin, Senior Consultant in the Washington, D. C. management consulting office of Peat, Marwick, Mitchell & Co., was Director of the American University Project on Child Welfare Costs that produced this manual.

From 1963 to 1966, Mr. Elkin headed a national project sponsored by the Child Welfare League of America, Inc. and the Children's Bureau; the aim of this project was to implement improved methods of cost analysis in children's institutions.

During the previous 12 years, Mr. Elkin was engaged in community planning, research, and budgeting—first as Executive Director of the Community Welfare Council of the Greater Sacramento area, and then as Research Director of the Health and Welfare Council of Metropolitan St. Louis.

He is a member of the National Association of Social Workers and the Academy of Certified Social Workers. His articles have appeared in numerous professional journals.

Mr. Elkin holds a B.S. in Business Administration from New York University, and an M.S.W. in Social Welfare from the University of California at Los Angeles. He is currently a Ph. D. candidate in Public Administration at The American University.

Delroy L. Cornick is presently the Director of the Department of Budget and Legislation for the Public Schools of the District of Columbia.

Prior to this appointment he was Assistant to the Executive Director of the Federal Power Commission.

From 1966 to 1968, Mr. Cornick was the Project Associate of The American University Project on Child Welfare Costs.

During the previous 11 years, he has held positions as Budget Analyst of Community Fund of Chicago, Inc.; Director, Department of Data Management, Metropolitan Crusade of Mercy of Chicago, Inc.; and Comptroller, Cook County, Illinois Housing Authority.

Mr. Cornick is a certified social worker in the State of Illinois, specializing in community organization.

Mr. Cornick holds a B.A. in Economics from Ripon College, Wisconsin, and diplomas in Accounting and Data Processing from the International Accountants Society, Incorporated. He has completed course requirements for an M.A. in Public Administration from The American University.

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